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Central Eurasia
SUPPLEMENT

FBIS-SOV-95-087-S *5 May 1995*

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954F2155A Moscow OBSHCHAYA GAZETA in Russian No 14, 6-12 Apr 95 (signed to press 5 Apr 95) p 5

[Full-page feature under the heading "Together and Apart" prepared by Marina Nekrasova: "Line for Russia"]

[FBIS Translated Text] Here are two quotations. One is from the Constitution of the Russian Federation, Article 61.2: "The Russian Federation guarantees its citizens protection and patronage abroad." The other is from a letter of a compatriot of ours, a citizen of the Russian Federation, living, no, eking out an existence, rather, in the near abroad (Uzbekistan): "Our family is living as in wartime. The windows in our apartment have been smashed, the outside door has been set on fire. My son was beaten unconscious on the street. I was beaten up in the entrance way and just about killed at the police station, where I was attempting to apply.... '"White ears," clear off to Russia!' accompanies us everywhere. We have taken out Russian citizenship. Protect us, help us leave for Russia, save us from this nightmare!"

There are thousands of such letters. In principle, they are sent nowhere because, as we all know, "Russia has not made a single power move" to protect or withdraw its compatriots. Who want (have been forced to want!) to return to Russia, for which Russian citizenship is essential for them. What's complicated about this, it would seem: Read the law and draw up the papers. But the disintegration of the USSR and the division into "ours" and "others"—all this has turned a routine act of constitutional law into a complex problem, which needs to be resolved promptly, for the fate of many thousands of people depends on this. Unfortunately, it depends on bureaucratic tyranny also.

All this prompted us to assemble at a roundtable people who are involved in the process of the official formalization of Russian citizenship and who are connected also with the legal, political, and moral aspect of the issue. The Russian Federation MVD Passport and Visa Office, the Russian Federation Ministry of Foreign Affairs (although there are especially many questions about their activity), the Citizenship Department of the Office of the President of the Russian Federation, the Citizenship Commission in the Office of the President, and the Federal Migration Service of Russia declined to participate in discussion of the problem. The roundtable took place, nonetheless. Without government officials, it is true—only experts in attendance.

Prof Suren Avakyan, doctor of legal sciences, head of the Department of Constitutional Law of the Law Faculty of the M.I. Lomonosov Moscow State University: "Grimaces of Law-Making"

The Russian law on citizenship cites several ways in which it may be acquired: as a result of its recognition; by birth; by way of registration; admittance to citizenship of the Russian Federation; restoration of citizenship; choice of citizenship (option) at the time of a territory's change of state affiliation.

We would note that Law 28 was adopted in November 1991, while the USSR was in existence, that is, and was published and implemented in February 1992, when the USSR no longer existed. Adjustments were made on the go, and the law, which by date was adopted in the time of the USSR, calls the latter in its text the "former USSR." But these are the grimaces of law-making, as they say.

According to Article 13, "Recognition of citizenship of the Russian Federation," "all citizens of the former USSR permanently resident on the territory of the Russian Federation on the day that this law takes effect (6 February 1992, that is—S.A.), unless within a year from this day they declare their unwillingness to be a citizen of the Russian Federation," shall be recognized as citizens of the Russian Federation.

In other words, the residence permit decided everything. Those who had a permanent Russian residence permit had nothing to worry about. They could, in fact, have long been residing in another republic, giving no thought to loss of citizenship. Nor were there any particular problems for those who had if only a temporary Russian residence permit.

But **recognition** is only one instance of the acquisition of citizenship of which that same law speaks (Article 12, clause "a").

And persons not permanently resident on the territory of the Russian Federation at that time found themselves outside of this simplest mode of the acquisition of citizenship.

Lines began to form outside the Russian embassies that had just been created—of those who were both wanting to officially formalize Russian citizenship and who were waiting for protection and patronage from their historical homeland.

Russian law could offer these people merely such a way of acquiring Russian citizenship as registration—at that time, up to 1995, now, up to the year 2000. Registration is termed in legislation a "simplified procedure" of the acquisition of citizenship of the Russian Federation. But, first, you have to make your way to the consulate and stand in line; second, you must pay a tax; and third, it could take up to six months for a decision to be made on the matter. Even a sincere bureaucrat is not always in a position to help. And are all such? There is already a raft of rumors about the corruption of the employees, the purchase of places in the line....

Let us, however, address merely the legal aspect. Does not the right to their *automatic recognition* as Russian citizens not qualified either by time or location have a number of categories?

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There are grounds, I believe, for framing the issue this way. There are several circumstances whereby, each being present individually, a person is entitled to demand that he be recognized as a citizen of the Russian Federation: if his parents had or have citizenship of the Russian Federation; if he was born on the territory of the Russian Federation; if he has resided on the territory of the Russian Federation; if he himself was a citizen of the Russian Federation and has not renounced his citizenship.

Let us start with the fact that, according to the law (Article 14), a child whose parents at the time of his birth are citizens of the Russian Federation is a citizen of the Russian Federation, regardless of where he is born. This provision could perfectly well be recalled also by adult persons who, alas, today have to prove that at the time of their birth both parents *were citizens* of the RSFSR (or of the former Russia, even) and who *have not of their own volition renounced Russian citizenship* (the so-called blood principle). If the situation is debatable, it will additionally be necessary to recall where the individual was born or where he has resided. *Birth* on the territory of the RSFSR made him not only a citizen of the USSR but also a citizen of the RSFSR. The *residence* on the territory of the RSFSR of a citizen of the USSR born outside of the RSFSR also signified his acquisition of citizenship of the RSFSR—without registration, so to speak—for official statements to the effect that although you had come to live in a given republic, you were declining its citizenship were not required at that time.

Those whose parents were Russian, but who had been sent to work and serve in other republics are suffering particularly today. Their wishes notwithstanding, the children who were born and raised there and who came to be on the territory of independent states do not, allegedly, have citizenship of the Russian Federation and have to acquire it by way of registration. This is a misunderstanding, I believe. Abiding from the outset by the citizenship of their parents by the blood principle, they also may lay claim to their recognition as citizens of the Russian Federation, regardless, I believe, of the time of the application, what is more.

Even more obvious from what has been said is the fate of those who by assignment or appointment, in search of earnings, or for some other reasons left Russia for another republic, seemingly just for a while, but who stayed there a long time. On any of the above-mentioned grounds they are entitled to demand their recognition as citizens of the Russian Federation, whenever they apply. Figuratively speaking, this should in some respects be reminiscent of the reservation of an apartment when working in areas of the Far North or overseas: Upon his return, a person opens the door with his own key....

Insofar as bureaucratic hurdles over the acquisition of citizenship by way of registration are beginning, thought has to be given to making revisions to the law and to creating additional safeguards for Russian citizens who have now been left hanging.

Of course, some people are becoming apprehensive lest a stream of "aliens" pour into Russian citizenship. And, generally, what about the provision of the law to the effect that "citizens of the former USSR residing on the territories of states which were a part of the former USSR" shall acquire citizenship of the Russian Federation by way of registration (Article 18, clause "d" of the law)? All are welcome, then?

In principle, this is the case. Both the Uzbek and the Georgian who feel uncomfortable in their motherland could, according to our law, become citizens of the Russian Federation. But there has as yet been no stream of representatives of the titular nations of other states heading for Russia. Nor, I believe, will there be. A person prefers, as a rule, to remain a citizen of the country in which he has his roots. If, however, he comes to Russia for economic reasons, there is enough in the way of immigration control, which is becoming more complex, and the procedure of the attraction of foreign manpower.

The law on citizenship is in places clearly politicized, and this should be rejected. It is felt that it was written under the influence of the Americans, who now greatly fear the penetration of their country by "subversive elements" in the guise of immigrants. Our law also says that applications for the admittance to citizenship of the Russian Federation of persons who are members of parties and other organizations whose activity is incompatible with constitutional principles (Article 19, part 4, clause "b") shall be rejected. Were it further explained what is meant by these nebulous "constitutional principles"....

And the final point. There are now more citizens who are leaving countries of the CIS for Russia without having officially registered papers there, despairing of any result. Account has been taken of this situation in Russia. There is a presidential edict (October 1994) making it possible to meet such people halfway. They are recognized as being citizens of the Russian Federation if they are residing in the Russian Federation on a legal basis. And it is determined at the discretion of officers of the internal affairs authorities. The residence permit, seemingly canceled, has force, as before. And a decision on questions of citizenship is dragged out for many months. But people are not hired without this....

Aleksey Kuzmin, head of the Department of Ethno-Political Problems of the Institute of Humanities and Political Studies and expert of the Yabloko faction and the Russian Federation State Duma Committee for CIS Affairs and Relations With Compatriots: "Sovic. Means Russian?"

Russian citizenship can be obtained via the Russian Embassy in countries of the near abroad. But the wait extends for, say, six months (Uzbekistan). And 15-20 percent of those applying for our citizenship are people who ethnically have no connection with Russia but who also were citizens of the former USSR. The Meskhetian Turks, for example, who with the disintegration of the

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USSR ended up nowhere. There is a similar situation in Georgia, which the local intelligentsia wishes to leave.

I would like to mention that I see no grounds for drawing an ethnic Russians distinction. According to the 1989 census, Russian-speakers oriented toward Russian culture constituted 98.6 percent of the population of the USSR. Is this not justification for obtaining Russian citizenship?

There are long lines in front of the embassies. I would explain this by the low traffic capacity of the consular services. By their insufficiently high qualifications, perhaps. A heap of references is required. It would seem to me that this is directly contrary to the formula of the law. What kind of references if citizenship, for example, is granted by way of registration?

A fee for acquiring citizenship should be collected, like any state tax, at the time of registration of the official deed of the state. The question is one of how reasonable this amount is and of how it is regulated under the conditions of inflation. And of how this is observed locally, of course. I believe that the tax in Russia and in the countries of the CIS should be roughly identical in dollar equivalent. Although it should be considered that if for a person living here 10,000 rubles [R] constitutes a realistic sum, for one living in Tajikistan or Ukraine, say, it is almost insupportable.

There are ways and methods of ensuring effective equality that are not being applied at all by Russia. The first consists of essential measures to support the national and cultural autonomy of the Russian diaspora. Which has gone by the board completely today. The second: support for local national-territorial self-government. We, however, ignoring these unpoliticized forms of the independent activity of our Russian compatriots, are preoccupied with supporting exclusively politicized movements. The Congress of Russian Communities, for example, enjoys the support both of certain forces in the Federal Assembly and certain forces in the Government of the Russian Federation. After all, the statements of this organization, which are aimed directly at inciting national enmity and discord, are under no circumstances commented on officially. The fact that government documents contain the term "ethnic Russians" at all seems to me to be a misunderstanding of the problem. If a person is a Russian, this is a question pertaining to citizenship and to his permanent place of residence, but under no circumstances to ethnic national characteristics.

There are economic levers of pressure—in a situation where the rights of Russian compatriots are being violated systematically, as in Turkmenistan, for example. Our country has good, normal relations with Turkmenistan, it would seem. But Turkmenistan refuses to register any national-cultural communities at all, declaring that their emergence would sow interethnic discord—this is contrary to international law.

Instead of adopting specific measures to protect the Russian diaspora in Turkmenistan, the Russian Federation is pretending that this does not concern it in an international-law respect. Yet the Language Act will come to be applied in Turkmenistan in full as of next year; clerical record-keeping and education will be switched to Turkmen. What will we get? People with two citizenships will flood into Russia, if only not to deprive their children of the possibility of schooling. Neither Russia nor Turkmenistan has made any effort to teach them Turkmen.

We are currently urging that some intermediate status—between that of citizen of the Russian Federation and foreigner—be conferred on our compatriots. This would allow Russia to adopt effective measures for their protection, which would look proper from the positions of international law. Everything else is interference in the internal affairs of independent states.

Russia has many possibilities for protecting its compatriots. It is clear that no post-Soviet Asian country can provide for the guarding of its borders independently. Tajikistan has long relied on Russia, but this is doing nothing for our compatriots who live there, because the Russian Federation, in the person of the president and the government, is contriving "not to understand" that such assistance and support should be furnished very precisely with quite strict demands.

All agreements on swing credit with Ukraine could clearly be tied strictly to education in Russian in Western Ukraine.

The moral aspect of the problem is very closely linked with the legal aspect. From the moral viewpoint, the Russian Federation is required to strive for the effective equality of all former citizens of the USSR. But the sole methods available to it outside of its territory are those of international law. Within its borders, on the other hand, it is bound to do this in human fashion, not allocate the immigrants R4.2 million after outrageous ordeals.

There is one further problem—concerning the enormous number of people without citizenship altogether. In the fall of 1991, Russian diplomacy simply "missed" this problem. During the "divorce" from the Baltic countries, this question could have been settled at the time of the formulation of the first interstate relations. This led to quite a high number of stateless persons in Estonia and Latvia. Diplomatic efforts are needed to secure effective equality.

Efforts are needed to protect the economic rights of the involuntary immigrants—citizens of Russia—also. We are hearing at various levels here that there is no money to receive them or provide them with accommodations. But over there they are abandoning them. Compensation, in my view, is possible if there are interstate agreements, good will on both sides, and sufficiently effective instruments of pressure on the part of the

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Russian Federation. By the method of "closing off the gas tap" included—how can it be helped?

The method of economic preferences, for which the Russian communities are campaigning, is dubious. To whom are they to be granted? Ethnic Russians? But this could have a sorry ending. The economic preferences that were granted Jews on the territory of Poland in certain spheres in the 17th century led to systematic Jewish pogroms. Do we want Russian pogroms?... So thought needs to be given to ensuring that these preferences be, first, not ethnic and, second, extremely prudent.

Letter

"To obtain citizenship of the Russian Federation, my mother, who lives in Tbilisi, applied to the Embassy of Russia in Georgia. She was told there that citizenship would cost her 100,000 Russian rubles. In Georgia she receives a pension in coupons—this is enough for 20 loaves of bread. I cannot send Russian money there, since there is no corresponding treaty between the states of Russia and Georgia.

"What is this, a material prohibition on citizenship of the Russian Federation being obtained by Russians? Or a new feeding-trough for bureaucrats?

"I would request that you explain to me the procedure of obtaining citizenship of the Russian Federation at the Embassy of Russia in Georgia. The 'Declaration of Human Rights' does not link choice of place of residence and the adoption of citizenship with citizens' material situation. Especially since citizenship is being adopted by a person who is Russian by nationality."

[Signed] V.N. Konstantinov, 64, ul. Engelsa, Ust-Labinsk, Krasnodar Kray.

Vyacheslav Igrunov, deputy chairman of the Russian Federation State Duma Committee for CIS Affairs and Relations With Compatriots: "Citizenship as a Form of 'Motherland Myth'"

From the legal standpoint, the builder of the Bratsk Hydropower Plant, abandoned in mountainous Tajikistan, does not before a certain date automatically become a citizen of Russia. He becomes, in fact, a citizen of Tajikistan. But he did not expect this "kindness" for himself, did not request it. He was abandoned by his motherland, the Soviet Union. Russia inherited the rights of succession, and people identified themselves not simply with the Soviet Union, but with Russia also. And thus the majority of them who came to Tajikistan from Russia rightly consider that Russia sent them there. But Russia says: No, legally you are not ours. What have these people done wrong, why can they not be Russian citizens? The Soviet Union was taken from them forcibly; they did not consent to this and did not aspire to this. So they were, against their wishes, deprived of the citizenship of their country. In addition, the successor-country is also refusing to consider them its citizens. On what grounds? On the grounds of a law that has been passed. But this law is contrary to all common sense. A country becomes dishonorable, a people becomes dishonorable, if it has either through the will of circumstance or from its own negligence abandoned its fellow citizens somewhere and is unwilling to help them.

Legally, everything is clean. But what kind of feeling is this!

I prepared with the expert Kuzmin the Declaration in Support of Compatriots Abroad. Russia should, first, unconditionally grant citizenship to all the former citizens of the Soviet Union, the Russian Federation, Russia, and the Russian Empire and their descendants who desire this and should bear the moral responsibility for them. It should bear the legal responsibility for them also, if this is what people want. The question arises: How is this program to be realized? What kind of resources will be required for this? After all, the declaration specifies not only the granting of citizenship but also a certain type of assistance to people who are not citizens and who are not taking out Russian citizenship but who are oriented toward Russia and consider themselves our compatriots. Practically everyone on our committee supported this approach to the problem. I have also met with complete support among the leaders of the Russian communities and grassroots movements outside of Russia. There are, of course, other sentiments based on exclusively ethnic affinity also. But such views constitute the minority, thank God. Although deputies who are beginning to think about to whom to give Russian citizenship as a priority, and to whom not, have appeared. But we recall Exupery: You are always responsible for all whom you have domesticated.

We cannot divide people by their place of birth. Here are some most simple examples. A child was born to an Uzbek family that was started at Moscow University. He subsequently left and lived his whole life in Uzbekistan. Is he entitled to automatically become a citizen of Russia? Or a Russian family left for Kazakhstan to turn the virgin soil, and a child was born there and grew up in a Russian environment. Question: Why does the second child have fewer rights to Russian citizenship than the first?

Citizenship should be granted without checks. There should be only one basis: affiliation to the former Soviet Union, Russia, the RSFSR, the Russian Empire, and so forth. If, on the other hand, these people fall under the heading of criminal legislation, the appropriate penalty should be applied to them, as to any other citizen. These are problems of the procuracy. If you have handed in your papers and acquire citizenship, you are liable according to our civil laws. And that's that.

Were this to be the approach to the problem of acquiring citizenship, the procedure would be sharply accelerated, and we would help a tremendous number of people far more quickly. This is the first point.

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The second consists of material obligations. Of course, Russia cannot today provide all those who wish to adopt Russian citizenship (or who have already adopted it) with identical assistance. Such a program should be geared to a 10-15-year period. The Russian diaspora should receive support. What does this mean? Translation into Russian outside of Russia, a press, textbooks. We—I mean the Russian state—should help them all together. But we can give material assistance only to those who have legally recorded their compatriot status: who participate in societies, educational structures, and so forth.

If, however, such people find themselves in a difficult situation, as in Tajikistan, for example, then, regardless of whether they have citizenship or not, we must undoubtedly render them priority assistance. They should be evacuated, and the state is required to guarantee them the minimum conditions as they try to find their feet in their new place of residence. Russia is today not assuming such obligations. This is not surprising, of course, if it is bombing its own citizens in Chechnya. And it could not give a damn that its own citizens or compatriots are dying in Tajikistan, in Abkhazia, or wherever else besides. This is immoral behavior on the part of the state. Special state structures which would, for example, assume responsibility for the property of citizens of the Russian Federation in other countries are needed. Russia's assertive foreign policy activity and the signing of bilateral and, sometimes, multilateral treaties are needed. The creation of special state structures is essential; particular funds for the realization of these programs are essential. This would be a policy of the restoration of the actual dignity of Russia—this is how I would put it.

What does Russian citizenship actually convey? Is it worth striving to obtain it at any price? Not counting senior citizens, who hope to obtain if only a Russian pension, the acquisition of Russian citizenship gives no one anything extra. A citizen of Ukraine, for example—a Crimean who has acquired citizenship of the Russian Federation—does not obtain any privileges or any benefits; he obtains merely additional difficulties at home in Ukraine. Russian citizenship does not afford him an opportunity either to return to Russia or to obtain accommodations or material assistance from the state to allow him to fend for himself—altogether nothing.

The impression that is given is that Russia will defend its citizen abroad. But even in a situation of pressure, discrimination, and danger, Russia is not doing so. The aspiration to obtain Russian citizenship, therefore, demonstrates simply a lack of an adequate appreciation of reality and a profound psychological connection with the phenomenon of Russia and the Soviet Union. In order to build a state, an ideological basis, a certain national idea that unites people, is needed. One has the feeling today that Russian citizenship is a form of the Russia myth. That Russia can be restored and its dignity returned. And this opportunity cannot be let slip. Via the restoration of the citizenship of our compatriots, we must revive Russia and build its future.

*Former Defense Minister Shaposhnikov Interviewed

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[Interview with former minister of defense, Aviation Marshal Yevgeniy Shaposhnikov, by Tatyana Sukhomlinova; place and date not given: "Moving Between the Light and the Shadows"]

[FBIS Translated Text] Ever since he was appointed USSR minister of defense in 1991, the bright light of the power Olympus alternated in his life with the shadows he stepped into with the regularity of a natural law. Now Aviation Marshal Ye. Shaposhnikov is in the limelight again....

The conversation at first revolved around the people who had been considered authorities and idols, and many of whom were later dethroned by their own admirers.

"Speaking about fliers, I still have the greatest respect for Valeriy Pavlovich Chkalov, no matter what people say about him now," said Ye. Shaposhnikov. "In difficult situations, he frequently said this phrase: 'If not me, then who...'."

"Have you made mistakes you particularly regret?"

"There have been blunders, of course. The longer a person lives, the more mistakes he makes. Sometimes he has not choice but make them. Because life sometimes puts him in a situation where he perhaps is not acting in concert with his conscience.... But by and large there is nothing for me to be ashamed of...."

Yevgeniy Shaposhnikov always left top jobs at his own initiative, which is very rare in our country and in our times.

"Every time, my departure was a protest of sorts against the fact that I was powerless to influence a particular situation...."

In August 1991 he took a stand against the GKChP [State Committee on the State of Emergency], believing that "to a certain extent Afghanistan was both an impetus and a catalyst for the disintegration of the Union. It illuminated very dark sides in our life of the Soviet period.... For me, the GKChP meant a return to those times and methods...."

The same August he became USSR minister of defense. He says that he accepted the appointment without particular elation because he realized that this was too heavy a burden. Generally, he had never thought of it: There had not been any ministers of defense with a background in aviation in the country's history before.

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People who worked with Ye. Shaposhnikov at the time told me that the affiliation with this particular branch of the service initially made his life in the Ministry of Defense difficult. Whenever the minister rejected a document in which members of another military branch had a stake, there were whispered comments behind his back: He is an outsider.

Nevertheless, the State Council, which at the time consisted of M. Gorbachev and leaders of the then Union republics, insisted on his appointment.

The military is a powerful force. And that always made it attractive, especially for politicians losing their political influence. Whether a minister of defense wants it or not, he acquires the significance of a political figure. This Ye. Shaposhnikov found out, so to say, on his own hide.

The marshal is still convinced to this day that there was a way to avoid the disintegration of the USSR after the GKChP.

"I saw that the leaders of Union republics did not so much want not to preserve the Union as they no longer accepted Gorbachev. And he, in my opinion, should have responded to this mood and initiated popular elections of a new national president. I think in this case the Union could have stayed. In some different form, of course, than before...."

But everything went the way it went. And on 21 December 1991 the heads of what were now independent states rather than Union republics gathered in Almaty, where it was said: The strategic forces across the CIS must remain unified, but the Armed Forces should be divided...."

Ye. Shaposhnikov was unequivocally against it. He launched a massive attack and seemed to have won. The leaders decided to return to this subject later.

And they did. On 30 December in Minsk it was decided to divide the Armed Forces between CIS components. The ministers of defense, which by then already had been appointed in some republics, and chairmen of defense committees supported their leaders. Only Ye. Shaposhnikov remained against the idea. And then he wrote the following document.

"TO THE HEADS OF INDEPENDENT STATES.
STATEMENT.

"In connection with the fact that the USSR has ceased to exist, and taking into account that after the abolition of the Ministry of Defense there is no unanimous approach to the organizational development of the collective defense and security of the CIS, and taking into account that no transition period is envisaged in dealing with the questions of creating armed forces by some CIS states, which may cause explosion among the military servicemen and cause suffering on the part of their family members, I request to be relieved from my responsibilities as the commander in chief of the CIS Unified Armed Forces and to be discharged from the Armed Forces in accordance with proper procedures.

"I do not wish to be a part of this.

"**30 December 1991.**"

"I fought for the CIS to the last bullet," he says, "because I never thought that we would be infected with this stupidity—be divided by borders, oaths, etc. After all, we have lived together for more than just 70 years...."

Nevertheless, when he was asked to restore the just-dismembered Union by military force, he refused. The request came, among others, from the USSR president.

Ye. Shaposhnikov reasoned more or less this way then: The leaders of the CIS countries had made a decision, albeit an erroneous one. But they had been elected by their people and acted on their behalf. Other people's elected representative—deputies—supported their presidents: ratified the Belovezha agreements and denounced the Union Treaty of 1922. The USSR president resigned on 25 December. Was it now up to the military to become a counterbalance to the people? But Vilnius, Tbilisi, and Baku—events that Ye. Shaposhnikov considered and still considers "madness"—were already a part of this chain. And many other cities could easily be added to this chain of madness....

"I rejected all these requests because I was aware that preserving the Union by such means would involve bloodshed, human casualties, and, let me put it straight, unpredictable consequences.... At the same time I still defended the idea of the CIS and the common Armed Forces. And some time at the cusp of 1991 and 1992, I began to feel I was becoming not too welcome a figure for the Russian leadership...."

As Ye. Shaposhnikov tells it, all of 1992 passed in some endless arguments in favor of integration. In February he appealed to the leaders of the CIS states, asking them to refrain from forming their own Armed Forces—first and foremost on the territory of those regions where "hot spots" were flaring up or smoldering. He proposed that CIS inter-state peace-keeping forces be formed. The reaction to everything—zero.

"Then I decided," says Ye. Shaposhnikov, "that, all right, if we cannot succeed in having a unified Armed Forces, then let at least Russia have something. At my prompting, President B. Yeltsin issued edicts transferring under the jurisdiction of Russia the Western Group of Forces in Germany, the Northern Group of Forces in Poland, the Northwestern Group on the territory of the three Baltic republics, the troops of the Transcaucasus Military District, the 14th Army troops (I did not succeed in transferring all of it, because Moldova by then had passed a law on the subject), and the entire Black Sea Fleet. But the edict on the fleet was subsequently revoked. As to Chechnya... since I considered Chechnya a Federation component, what was there to divide? Although I was getting reports that the situation around

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the garrisons there was difficult. That is why we mined approaches to depots, and sealed the depots....

Meanwhile, soon after the appointment of P. Grachev as minister, he compared the state of the Russian Armed Forces with a "semi-destroyed home." "Let these words remain on his conscience," said Ye. Shaposhnikov when I reminded him of this episode in their relations. And then asked his aide to bring P. Grachev's report, presented to the Security Council in April 1993. And quoted:

"It is necessary to move in the direction of taking off the agenda of the next meeting of the Council of Heads of the Commonwealth States the question of the Unified Armed Forces [UAF].... It is necessary to envisage the measures on reorganizing the High Command of the CIS UAF.

"For the purpose of political support of this initiative, it is necessary to envisage a set of propaganda measures aimed at forming the public opinion regarding the inadvisability of creating CIS UAF."

In 1993 B. Yeltsin offered to Ye. Shaposhnikov the position of Security Council secretary. He agreed. But after the discussion of his nomination at the Supreme Soviet, or to be precise, during the discussion, he withdrew on his own....

"The Supreme Soviet was to approve my nomination as the Security Council secretary. I had hoped to share with the deputies my views on the security problems and to hear something constructive from them. They, however, perceived me only as a president's protege. And to make their dislike look as if it had some substance to it, they began to ask idiotic questions.... So I said to myself: I do not want to get my authority from the hands of these people. Look, I would have to reckon with them afterwards. This is like a headache: It is there, and there is nothing you can do about it. But how can you reckon with them if they have such an attitude?..."

Against the background of events in Chechnya, his name began to be mentioned frequently in connection with the transfer of military hardware and armaments to Dudayev. Although it is a known fact that on 18 May 1992 Pavel Grachev became minister of defense. And on 28 May a directive was issued, with his signature, from which it followed that the hardware and armaments were to be divided between Chechnya and Russia according to a "50-50" formula.... Ye. Shaposhnikov refuted accusations by publishing an open letter in the press. Nevertheless, recently A. Rutskoy, invited to a meeting of the Duma commission on the investigation of the circumstances that led to the Chechen crisis, mentioned another "suitcase of compromising materials" on him.

"His hints turned out to be unfounded," comments the marshal. "As to the famous 'suitcases,' which he mentioned for the first time, if I am not mistaken, in April 1993—I already saw them earlier that winter.... He had already launched an attack on B. Yeltsin then. My opinion was, however: If you want to fight against the president, first resign, and then act. After one altercation between them, I decided to talk to Rutskoy. I came to him. And he says right away: Boris Nikolayevich and I have made up. And offers me to work together on combating corruption.... He invites me into a separate small office. Opens a safe, and in it are piles of green folders. Here, he says, I have material on everyone here.... He pulls out one folder (I will not tell you whose name was on it) and says: This one will get the 'cap.' [capital punishment] I say: Aleksandr Vladimirovich, what are you doing?! Explain all this to the president; inform the general procurator, if this is all indeed so. Take this burden off your shoulders.... And he replies: When the time comes, all this will fire.... In April in his speech at the Supreme Soviet, he mentioned me among others. Said that I had transferred air fields in Germany to some questionable firm. This was an absolute lie. Because even before I became minister of defense he himself hinted to me that it would be a good idea to transfer some air fields to businessmen of his acquaintance, to sell metal to Israel. He proposed to sell the commissary on the Kalininskiy Avenue or lease it to some "friendly guys." To all of this I said "no" to him personally...."

In the August of the same year they met at the airport, and Ye. Shaposhnikov asked: "What is the meaning of your speech?" And Rutskoy said: You know, my aides got something mixed up, and I did not check it out and said it. My apologies.... Not bad, thought Shaposhnikov then, when he poured dirt on me, the whole world learned of it, and now he is apologizing in private....

A month later the peculiar dialog between the "comrades in arms" continued. Shaposhnikov had left all his official positions by then. Late at night on 21 September, after B. Yeltsin read out his famous Edict No. 1400, the telephone rang in the marshal's home. One of A. Rutskoy's staffers told him on the phone: "Our president, Aleksandr Vladimirovich, invites you to join the White House leadership in any capacity...."

"I said," recalls Ye. Shaposhnikov, "that I had already told the White House quite a while ago where they could go. And if Aleksandr Vladimirovich wants to hear something like this regarding himself personally, for the sake of this I am willing to come over. The reply was: 'Thank you, no need to do that....'"

These days Yevgeniy Shaposhnikov is the Russian Federation president's representative at the state company Rosvooruzheniye [Russian Armaments]. Over the past several years, Russia's influence in the arms market has shrunk somewhat. He does not fully agree with this, however, because usually comparisons are made with the Soviet period, when the country did not engage in arms trading. "We supplied arms—for slogans, bananas, embraces," says Ye. Shaposhnikov. "It is hard to tell how those $2-3 billion the country did earn were spent.

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They went to support world communism, I think. Rosvooruzheniye was only started in 1993. And Russia immediately achieved a real figure: $2-3 billion. Now we are restoring old ties, entering markets that were not traditionally Russia's—Southeast Asia, the south of Africa, Latin American and Persian Gulf countries. Moreover, the way the situation is developing, we may become partners with some of our competitors, jointly gaining distribution markets...."

Busy as Ye. Shaposhnikov is with the business at hand, it is impossible to avoid taking the conversation with him into a political orbit. Although he had already stepped off this orbit several times as an acting politician. Several months ago, he supported A. Yakovlev's idea of creating the Party of Social Democracy. And then moved away from the just-created party. What is this? A move in a political game or another withdrawal from it?

"I did indeed decide to step aside after I started getting hints: Yevgeniy Ivanovich, some were saying, you should become the leader of this party," comments Ye. Shaposhnikov. "Having weighed my political experience against A. Yakovlev's influence, I decided to leave. I do not want to be used as an irritant in a power struggle."

The marshal has never been, and is not, a member of the RDDR [Russian Democratic Reform Movement], which lists him as a member.

"You see, from September 1993 to January 1994 I was not doing anything. And at the time I received many different offers to participate in the election campaign. I read through numerous programs. I liked the RDDR program—calm, without extremism or populism. So I agreed to be included in the RDDR election list—no more than that. I am not a member of any party. Although I do have my political preferences, of course. I like the RDDR, and Russia's Democratic Choice, and S. Glazyev's DPR [Democratic Party of Russia], and G. Yavlinskiy's movement, and the new political entity headed by B. Fedorov.

The marshal laconically rejected a guess that his political ambitions would be satisfied if some political forces close to him saw in him their presidential candidate:

"I am not suitable for this role."

AN AFTERWORD TO THE CONVERSATION:

Last year Ye. Shaposhnikov's book "The Choice. Memoirs of a Commander in Chief," published in 50,000 copies, did not reach the reader. Somebody somehow "excised" from distribution 48,000 copies. Where are they? Who cast "an eye" on them? Perhaps those who recognize his real or potential strength.

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Economic Issues

*Report on Development of Securities Market

954E0895A Moscow KOMMERSANT-DAILY in Russian 19 Apr 95 p 2

[Article by Viktor Ivanov under the rubric "Decisions: Made and Being Made": "The Authorities Are Doing What They Can: Development of the Securities Market"]

[FBIS Translated Text] Serious documents focusing on the functioning of the securities market in Russia do not come out very often: The authorities do not quite know how to stimulate its development in the conditions of economic crisis. The decree "On Measures of Development of the Securities Market in the Russian Federation," which went into official distribution yesterday, was a must, however. First, now is the time the government has to urgently fulfill the "extra obligation" it has undertaken to earn 30 trillion rubles [R] for the budget from the sale of state securities and another R9 trillion by selling state blocks of privatized enterprise stocks. Second, the Federal Securities and Exchange Commission sees this decree as an opportunity to position itself as one of the centers of real economic power in Russia.

Theoretically, the coming out of a decree with such a portentous title could mean a principal change in the state policy of regulating the stock market. For instance, the authorities could suddenly decide to completely drop any restrictions and let Russia turn into a kind of analogue of the United States of the end of 19th-beginning of the 20th century, when nothing stood in the way of companies issuing phony stock and "diluting capital" to the point when, as the joke of the times went, "stock began to drip." This idea is not entirely absurd—there is every reason to believe that without this freedom (even with the resultant abuses), the American stock market would not have reached the level of activity that later could not be dampened by any tightening of legislative regulation. On the other hand, the Russian authorities could regulate the market into such a corner that any, even minimally, free private capital activities in this market would become impossible. This also could be justified—after all, the state is in too much need of the private sector's financial resources to allow them to be diverted into uncontrollable market speculations (it is not accidental that the flow of speculative capital into the foreign capital market is always frowned upon). The state, however, at this point is simply not ready for any extremes. In the conditions of economic crisis, the stock market is extremely weak, and therefore complete liberalization would not help it much (strange as it may sound, it more likely needs an artificial boost from the state), while completely depriving the state of the ability to use it for its own purposes. As to completely tightening the screws, the authorities are afraid that in this case the market will simply quietly die and again will be of no use to the state.

Therefore, the issuance of this decree pursued more modest goals. First of all, the government has to demonstrate precisely its intent to fulfill its commitment to the IMF and cover part of the budget deficit through the sale of securities, and at the same time earn considerable revenue from privatization. There is no guarantee that the stock market will be able to handle this task, but at least attempts to stimulate it are absolutely necessary. For its part, the Federal Securities and Exchange Commission decided to take advantage of an opportune moment to dramatically strengthen its position. It is not accidental that Dmitriy Vasilyev, deputy chairman of this commission, has used every opportunity lately to advertise in advance the package of documents his agency had been preparing (the current decree is the first in this package) and predicted that it would be quickly signed by the prime minister.

The text of the decree is completely in line with these goals. At this point it does not make concrete changes to stock market regulation, but at the same time it proclaims protection of the rights of investors and other persons carrying out operations with securities. The document tasks individual agencies with very noteworthy missions. For instance, the securities commission is to prepare before the end of April amendments to current normative acts, to ensure greater freedom for underwriters and the ability for nonresidents to purchase Russian securities. The State Tax Service and the Ministry of Finance are tasked with drafting by May proposals on exempting operations with regional and municipal bonds from taxes.

[begin box]

Main Points of the Decree

to make development of the securities market infrastructure the centerpoint for creating the necessary conditions for attracting investment into the Russian economy and noninflationary financing of the Russian budget;

federal organs of executive authority are barred from considering requests for state financial support, preferences, foreign credits, and investment coming from joint-stock companies that violate the rules of keeping stockholders registries and holding stockholders meetings;

the Federal Securities and Exchange Commission shall present before 25 April a draft presidential edict on self-regulating organizations of professional participants in the securities market; before 1 May 1995—ensure final approval of the document setting the standards for stock prospectuses for nongovernment securities in keeping with international standards; and before 15 May—the standards for the operation of the clearing and depository system.

[end box]

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*Deputy Chairman on Securities Federal Commission Activities

954E0894A Moscow KOMMERSANT-DAILY in Russian 20 Apr 95 p 5

[Interview with Dmitriy Vasilyev, first deputy chairman of the Federal Securities and Exchange Commission, by unidentified KOMMERSANT correspondent; place and date not given: "Federal Commission: Hymn to Enlightened Bureaucratism"]

[FBIS Translated Text] KOMMERSANT experts justifiably see the government decree "On Measures for Developing the Securities Market in the Russian Federation" (see yesterday's issue) as a major victory for the Federal Securities and Exchange Commission [FSEC], headed by Anatoliy Chubays. The decree substantially strengthens the commission's position as the main "traffic cop" of the domestic stock market. In this situation, we felt that this was a very good time to pose a few questions to the commission's first deputy chairman, Dmitriy Vasilyev.

[KOMMERSANT] The Federal Securities and Exchange Commission's creation last November caused a lot of conjectures. First of all, everybody was interested in how this organization, vested by the president's will with very considerable authority, would get along with the Ministry of Finance [Minfin] and the Central Bank, under whose jurisdiction the stock market had been until now. So, who is the master of the house now, Dmitriy Valeryanovich?

[Vasilyev] There are three different systems of apportioning authority. Authority is apportioned between state organs or between state organs and self-regulating organizations; there is also the third, mixed, option, which I like more. The Federal Commission, which has a small staff, concentrates its attention on developing standard documents, issues general permits to self-regulating organizations and authorized state bodies, giving them the right to license various types of activities, and may withdraw these licenses if the aforementioned organizations and institutes fail to handle their responsibilities. At the next stage, self-regulating organizations regulate the activities of participants in the market. Under this arrangement, the commission will have to deal not with 30,000 brokers but with 10-30 organizations, which, you would agree, makes a lot of difference.

[KOMMERSANT] Self-regulating organizations are one of commission's pet ideas. How do you visualize their activities?

[Vasilyev] Self-regulating organizations are not-for-profit associations of professional participants in the securities market. Their main function is to monitor association members' compliance with established standards and rules. Basic among them are the requirements set by state organs—in this case, the Federal Commission. But in principle such organizations may set even more strict conditions for their members. For instance, Moscow brokers may agree to bar from their system the stocks of issuers who have not submitted to an independent audit. For me, it is very important not to have bureaucratic control, red tape, etc. over normal participants in the market. Let us make it friendly control. On the other hand, it is important that if we do run into a crook, again, he will be policed not by bureaucrats but by entrepreneurs. In any case, bureaucratic regulation of the market does not work.

[KOMMERSANT] On what basis will the Federal Commission grant the status to self-regulating organizations?

[Vasilyev] An edict of self-regulating organizations will be signed, which will set the requirements in keeping with which this status will be granted. If the organization no longer meets our requirements, the status will be lifted.

[KOMMERSANT] Until now, licenses for the conduct of operations with securities were issued by the Minfin.

[Vasilyev] This was clear from the moment the edict creating the commission came out. Some of the functions that were within the Minfin's jurisdiction will be transferred to the Federal Commission, which will have responsibility for the general state of the securities market. And if some scandal breaks out, it is Chubays, Orekhov, and Vasilyev who will be held to answer...

[KOMMERSANT] Are the permits for conducting operations in the stock market issued earlier by the Minfin, as well as Central Bank licenses, still valid?

[Vasilyev] Yes, of course, until a new decree is issued on the new procedures for licensing stock market operations.

[KOMMERSANT] Will you also register issue prospectuses?

[Vasilyev] An issue prospectus is a difficult question. The final decision should be made by the Federal Commission meeting after we look through the proposals on changes in the procedures for registering prospectuses. In principle, it is possible to separate the authority. For instance, the commission will be setting the standards and rules for prospectus registration, while actual registration work will be carried out by the Minfin. This is my personal opinion, however.

[KOMMERSANT] And how will things go with respect to the state securities market? Will this also be regulated by the Federal Commission or will it remain the domain of the Minfin and the Central Bank?

[Vasilyev] This is a very difficult question. I have already enunciated our official position. If something happens in the securities market, including something involving state securities, the commission leadership has responsibility for it. Therefore, it is quite obvious that the Federal Commission should and must be engaged in issues connected with the standards and rules in the state securities market. Anyway, this is a special subject for discussions currently underway in the government. No final decision has yet been made.

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[KOMMERSANT] Meanwhile, it is known that you have spoken negatively about the GKO [short-term state bond] market. Did you not hint that the system of GKO placement resembles a financial pyramid?

[Vasilyev] I am not skeptical about the short-term state bond market. It is another matter that I believe that it is necessary to take some actions with respect to development and improvement of the GKO market. But I completely agree with the government program on the GKO market, which envisages expanding the circle of investors, increasing competition in the market, and developing a GKO market operating outside exchanges.

[KOMMERSANT] Do you believe it necessary to license trading of Russian stocks for foreign currency?

[Vasilyev] I am against licensing operations for foreign currency. We are working with the Central Bank on this matter and expect to resolve the problem very soon. We are for oversight that will not be permit-based, as was the case in the past, but will merely require registration. So that the Central Bank may have an idea of the movement of money.

[KOMMERSANT] As is known, another pet cause of the Federal Commission is the fight against bearer stocks, which are widely used by financial companies to attract people's money. What are the prospects for the market of such securities?

[Vasilyev] The bearer stocks market is gradually dying out.

[KOMMERSANT] However, to the best of our knowledge, State Duma deputies have introduced amendments to the draft law "On Securities" which legalize bearer stocks.

[Vasilyev] This is correct. There was a draft law "On Securities," and we were satisfied with it, until the deputies took out a clause about self-regulating organizations and added a clause on bearer stocks. Such a document will not work.

[KOMMERSANT] By the way, what is happening with the Khoper company?

[Vasilyev] The situation with Khoper is, I would say, in a state of flux. What to do about crooks indeed remains an open question. This requires changes in the criminal and criminal-process codes. We have already prepared the first set of amendments—they will be reviewed at the next meeting of the commission. We will finally have the ability to give a legal definition to obvious crooks and punish them. A thief should be in jail.

[KOMMERSANT] Nevertheless, you cannot deny that Russian investors, including individuals, feel a shortage of reliable financial instruments in which they can invest money.

[Vasilyev] Two absolutely necessary institutions are lacking. Mutual funds. This idea was used by the guys at MMM and other organizations: You give us the money, and the money grows; you can come to us and earn a profit. It is another matter that their scheme for increasing net assets does not work—there are no liquid instruments. Instead of banning this activity, it should be placed in a legal framework. The second institution we are lacking is investment banks. We need structures that will deal with long-term investment and will work differently with clients. Right now the market of attracting the population's money is semi-legal: The companies working in it cannot be considered either banks or investment funds.

[KOMMERSANT] Meanwhile, to the best of our knowledge the Central Bank does not support your idea of creating investment banks.

[Vasilyev] I know that there are a lot of people who do not like the idea of investment banks. The Central Bank thinks it unadvisable to set up such banks. I do not see any reason to agree with it, however. Are there securities? There are. Are there investors who want to buy these securities? There are. Should we limit the risk of those who put money in banks on deposit? Yes, we should.

[KOMMERSANT] Are there already draft documents that envisage the creation of the new financial institutions you were talking about?

[Vasilyev] Yes, these draft documents already exist. There is a draft law "On Shareholder and Investment Funds." It was supposed to be reviewed at the commission's previous meeting, but we did not get to it—we will probably do so at the next one. It is envisaged that the institution of investment banks be introduced by a government decree, the draft of which also has been prepared by the commission.

[KOMMERSANT] What are we going to do with the problem of information openness of the market?

[Vasilyev] This is indeed a serious problem, and we will deal with it step by step. We cannot simply jump to the American level of information openness. The first step is to make amendments to Decrees No. 610 and 78, which were approved at the most recent commission meeting. They require securities issuers to make more complete information available. In the future we will have to ensure that funds publish their investment portfolios.

[begin box]

Commentary

The Federal Securities and Exchange Commission is an organization that is completely untypical for Russia. Headed by one of the most influential state officials—Anatoliy Chubays—and personally vested with considerable power by the president, the commission deliberately refuses to form a huge bureaucratic apparat, relying

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instead on public organizations. Unfortunately, in Russia's environment this is a weakness rather than a strength.

It is quite obvious that the commission's broad authority represents a direct encroachment on the rights of other interested agencies, first of all the Central Bank and the Ministry of Finance. It would be natural to expect these agencies to challenge the commission's decisions. There are more than enough examples, the most graphic of which is mentioned in the interview: The Duma committee recently took out of the draft law "On Securities" the clause on self-regulating organizations and, conversely, put in a clause on bearer stocks. It is indicative that this step, which runs directly counter to the Federal Commission's position, was hailed by the Ministry of Finance. The situation with Khoper also attests to a certain weakness of the commission—Mr. Chubays' very militant statements were not followed by any action.

And despite the fact that the government decree "On Measures for the Development of the Securities Market" reaffirms the commission's authority, its opponents do have the tools to effectively fight its policy. Because for all intents and purposes the commission refuses to do the routine paperwork—write detailed instructions, circulars, etc. It intends to formulate general standards, formalizing them through government decrees and presidential edicts. The issuance of administrative acts, however, which are decisive in many respects, remains in the hands of the Minfin and the Central Bank. In addition, the extent of the commission's influence depends on Mr. Chubays' position in the top echelons of power.

One may say with almost complete certainty that the friction between different state institutions involved in the regulation of the domestic securities market will increase. Because the commission's plan is to take over the regulation of the state securities market, where in the past the Minfin and the Central Bank reigned supreme.

[Signed] Finance Department [end box]

*Ways, Means That Banks Lose Their Licenses Detailed

954E0886A Moscow ROSSIYSKAYA GAZETA in Russian 21 Apr 95 p 14

[Article by Candidate of Legal Sciences Lyudmila Yefimova, docent of the Moscow State Juridical Academy and consultant to the Association of Russian Bankers: "The Bank's License Has Been Revoked..."]

[FBIS Translated Text] *The revocation of a license is an event that is very appeciably reflected on a bank itself, its shareholders (stockholders) and its clients. Each of them should have an idea of what awaits him in such a situation.*

The Central Bank of Russia has revoked the licenses to conduct banking activity of 125 commercial banks since 1993, with 41 banks stripped of their licenses this year.

The revocation of a license is an extreme, last step, a sanction to which the TsB [Central Bank] of the Russian Federation resorts when all other measures for influencing a commercial bank have been exhausted. After revocation of a license, a commercial bank (the discussion hereinafter will concern not only commercial banks, but other credit organizations as well that perform individual banking functions) does not have the right to engage in banking activity. Bank deals that are made by it after the revocation of a license may be deemed invalid under Article 173 of the RF GK [Civil Code].

A commercial bank thus has only two possible routes in this situation—carry out a liquidation or reorganization, or achieve the return of the license administratively or through the courts. It is moreover almost impossible today to carry out the forced liquidation of a bank, either legally or administratively, even when they have been engaged in banking activity after the revocation of a license, with the exception of cases where a bank may be deemed bankrupt.

A court of arbitration is obligated to accept an application for the institution of proceedings in a case of the insolvency (bankruptcy) of a commercial bank only after the revocation of a license under Article 11 of the Law of the Russian Federation of 19 November 1992, "The Insolvency (Bankruptcy) of Enterprises." It may, however, issue a resolution for the postponement of that application or carry out the corresponding re-organizing procedures. The case may be concluded by settlement as well. The Law on Bankruptcy, however, contains no standards that would regulate the subsequent fate of a commercial bank in that case; a bank is unable to operate without a license from the bank of Russia, while the latter, most likely, would not consider it necessary to return the license to it.

The fact that the decision of a court of arbitration to postpone the application to deem a commercial bank bankrupt (or the application of re-organizational procedures to it or the ratification of a settlement) in no way obligates the Bank of Russia to return its license to it is thus a shortcoming in the Law on Bankruptcy.

According to the Law on Bankruptcy, an application by the bank itself, creditors, or the procurator, as well as the fact of the revocation of the license to conduct banking activity, are grounds for institution of proceedings for the insolvency (bankruptcy) of a commercial bank. The Bank of Russia, according to prevailing legislation, thus does not have the right to submit to a court of arbitration a claim to deem a commercial bank bankrupt if the latter is not a debtor of it.

In the event that a bank is liquidated voluntarily or on the basis of a court decision, a liquidation commission shall be created for the completion of that work. The procedure for its creation and operation are regulated by the general standards of Articles 82—85 of the GK of the RF on the dissolution of legal persons. The specific features of the dissolution of commercial banks are

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reflected in Edict No. 1184 of the President of the Russian Federation of 10 June 1994, "Improvements in the Operation of the Banking System of the Russian Federation." The Bank of Russia, in accordance with clause 3 of that document, is obligated to provide for the participation of its representatives and auditors in the work of liquidation commissions in the dissolution of commercial banks, including for reasons of insolvency (bankruptcy). In accordance with Article 63 of the RF GK, the liquidation of a commercial bank is considered to be completed, and the legal person to have ceased existence, after an entry is made to that effect in the state register. The bank ceases to exist from that moment as a legal person, all of its rights and obligations are curtailed and the claims of creditors are considered paid. The re-organization of a commercial bank may be accomplished, in accordance with Article 57 of the RF GK, in the form of a merger, annexation, division or conversion.

Don't Rush To Close Accounts

The clients of a bank that has had its license revoked are forced to resolve two primary issues—how to open a new business account, and how to return the funds deposited in their bank, especially if the license was revoked in connection with inability to pay. Legislation, up until recently, did not permit an enterprise to have more than one account for its principal activity. The sole business account of an enterprise therefore ceased to function as a result of the revocation of the license at their bank, which paralyzed all of its activity for an indefinite period. Section 4 of the methodological instructions of the Central Bank of the Russian Federation, "Procedure for the Creation and Activity of Commercial Banks on the Territory of the RSFSR," used to be in effect, and allowed for the opportunity to carry out a series of transaction operations by a bank that had lost its license. It has now been deemed invalid, however, in accordance with RF Central Bank Telegram No. 146 of 27 February 1995. It is essential, in my opinion, to restore the right of banks with revoked licenses to perform a limited circle of transaction operations for a certain brief period.

The clients of a bank that has lost its license are forced to seek out another bank for their transaction and cash services. There are two possible ways of solving this problem, however: open a business account at another bank without the simultaneous closure of the account at the prior bank, and with the closing of that account. Only the second variation was permitted before the promulgation of Edict No. 291 of the President of the RF of 21 March 1995, "Invalidation of Clause 2 of Edict No. 1006 of the President of the Russian Federation of 23 May 1994." Today it is simpler to open an account at another bank without closing the one at the prior bank. There are no instructions of the RF Central Bank whatsoever with regard to the fate of Card File No. 2 at the bank with the revoked license or unreturned credit, taking into account that Edict No. 291 of the President of 21 March 1995 has only just come out. The RF Central Bank, however, in my opinion, must establish such regulations, and would be entirely substantiated in doing so. Before such clarifications come out, it would be preferable for a client that is a legal person to open an account at another bank without closing the one at the prior bank.

A Depositor Without Insurance

In the event of the liquidation of a bank, the problem of the full return to clients (both legal and natural persons) of the deposits and funds that are in settlement (current), currency and other accounts becomes a very topical one, especially if that liquidation is connected with the bankruptcy of the bank. This problem is solved in a number of developed countries around the world by means of the creation of special insurance funds for the credit system of the corresponding state. The Federal Deposit Insurance Company, for instance, pays the depositor a limited sum, up to an amount specified by legislation, in the event of the bankruptcy of a bank.

Such funds were created in our country as well up until recently. The Bank of Russia used to form an insurance fund against bankruptcies and a deposit insurance fund for commercial banks. The principal shortcoming of the legal regulation of this activity was the complete absence of an approved procedure for obtaining funds from those purposes. Everything was in fact given over to the discretion of the apparatus of the Bank of Russia. The situation is even worse today, however. The formation of these funds by the Bank of Russia has been curtailed as of 1 January 1994, in accordance with RF TsB telegram No. 62 of 18 October 1993. The Central Bank of the Russian Federation, guided by clause 3 of the Edict of the President of the RF of 28 March 1993, "Protection of the Savings of Citizens of the Russian Federation," considered it expedient in the future to transfer the funds allocated by the banks in 1991-93 to a deposit insurance fund at commercial banks, a mandatory federal fund being created to insure deposits and the accounts of the public as insurance contributions of the commercial banks.

The funds transferred previously to the insurance fund for commercial banks against bankruptcies were returned to the commercial banks from which they had come. The fund has not yet been created, however. The bankruptcy of any bank will thus inevitably lead to the full or partial loss of the funds of depositors placed with that bank. Depositors thus prove to be completely unprotected against the loss of their money, since it is absolutely useless to submit a demand to the bank or the liquidation commission for the return of deposits if the bank has no property on which a claim could be made, while an insurance fund is lacking. All of this clearly does not facilitate a strengthening of confidence of society in the domestic credit system.

A Bank Without Penalty or Reproach

Since the revocation of a license is a circumstance that rules out the performance of any banking operations by the bank, that bank cannot be liable for a failure to fulfill

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its obligations under any contracts, including credit agreements and bank account contracts. The revocation of the license could be considered in this regard to be a kind of insurmountable force that rules out liability for the failure to fulfill contract obligations. The bank cannot be obligated to transact illegal deals, that is, banking operations in the absence of a license, and that means that it cannot be punished for a failure to transact them. A client for that reason does not have the right to collect damages from the bank for losses caused by late transactions or a failure to provide promised credit. A client also does not have the right to seek penalty sanctions against the bank, as are stipulated in both contracts and in legislation.

This situation differs seriously in its legal consequences from another situation, when a bank does not conduct transactions by reason of a lack of money in its correspondence accounts but has not had its license revoked. The absence of money in a correspondence account (as well as the presence of a debit balance) is a circumstance for which a bank is liable, since it arose as a result of its incompetent performance of banking activity. Many banks moreover have several correspondence accounts and, when money is lacking in one, can perform operations through another.

If a bank is unable to fulfill its obligations to its clients by reason of its grave financial situation, clients should not be in a hurry to deem it bankrupt. If a bank has at least some property on which a claim could be made, it would be best to institute a conventional property claim—for the return of deposits, the payment of a bill or deposit (savings) certificate, or the like. Deeming a bank to be bankrupt is a very prolonged process, and could drag on for years. The status of the depositors of such a bank is thus not an enviable one today; they cannot get back the funds they have deposited until the process of declaring the bank bankrupt and its liquidation are ended. This could lead, under conditions of inflation, to the almost complete loss of the money in the bank. That is why bank depositors (legal and natural persons) cannot have any vested interest in instituting a case of the bankruptcy of a bank, although some of them (out of being ill-informed) try to do so.

*Need for Tax Reform To Include Local Interests Emphasized

954E0902A Moscow ROSSIYSKAYA GAZETA in Russian 21 Apr 95 pp 9, 15

[Article by Doctor of Economic Sciences Vladimir Panskov, professor, academician of the Russian Academy of Natural Sciences, and Dmitriy Ignatyev, leading specialist of the Ministry of Finance: "Protection Against Separatism"]

[FBIS Translated Text] Today most of the 30,000 local bodies of power do not have an independent budget. Consequently, they are unable to exercise their powers effectively.

In such a situation the financial basis for vital activity in localities is formed in the old way, that is, "from above." In the next 2 or 3 years it is necessary to adjust and "to put into operation" a new mechanism of mutual budget relations.

The new Russian Constitution, which legislatively established the basic guidelines in tax reforming,* gave a clear federative direction to tax reform. In 1995-1996 it will continue with emphasis on the priority nature of pragmatic approaches, which make it possible to count on quick efficiency.

Under present conditions what should tax reform represent? It seems that here it should not be a matter of radical changes. We have in mind the strengthening of the tax system and its improvement. The basic task at this stage is to ensure through tax revenues a reduction of the federal budget deficit to a level below 3 percent of the gross domestic product in order to finance the country's economic development from domestic and foreign sources with an acceptable degree of reliability. Beginning in 1998 it is necessary to reach a zero federal budget deficit.

Under present conditions state tax policy must be characterized by more decisive actions along the path of improvement in tax federalism.

As is well known, the normative taxation base consists of fundamentals of legislation, laws, and statutes concerning some taxes and nontax revenues and corresponding instructions on tax collection and control. Under the effect of changes in the structure and amount of national income corrections have to be constantly made in tax legislation and separatist tendencies of some Federation components manifested in tax collection cause serious difficulties. In a number of cases the latter have begun to act arbitrarily as though they are absolutely independent states. It would be incorrect not to note that such tendencies are encouraged to a considerable degree by the powers vested in Federation components. Through the so-called Financial Support Fund more than one-half of the value-added tax, 90 percent of the tax on income of natural persons, and 50 percent of the excise taxes (with the exception of gas and oil) are placed at their disposal. It is clear that such a regional tax policy of federal authorities does not promote activation in the solution of problems of local finances.

In the existing situation the entire tax mechanism has been reduced to fiscal measures to cover growing federal budget expenditures through tax revenues. Large industrial enterprises remain basic taxpayers. The generally known difficulties now experienced by these enterprises lead to a disruption in a significant part of the projected budget revenues. In 1994 debts to the federal budget (arrears) increased by almost 7 trillion rubles. Almost 1 trillion rubles more were not received owing to the fact that, in connection with the above-mentioned, in essence, separatist tendencies, some Federation components appropriate funds, which should be assigned for federal budget revenues.

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Today large amounts of revenues simply are concealed from taxation. For this reason, according to calculations of the Ministry of Finance, the federal budget alone fails to receives more than 4 trillion rubles annually.

What strategic goals in the field of taxation planning should our state have for the next 5 years? We assume that the answer to this question is as follows: 1) tightening of tax discipline and formation of a civilized stratum of taxpayers; 2) simplification of the tax system; 3) tax stimulation of the production and sale of competitive domestic goods; 4) improvement in the principles of federalism and development of municipal tax systems in the country.

A special place in tax policy should be given to the development of the municipal tax system as the basic financial source of formation of local self-administration. The restructuring of tax revenues with a greater orientation toward natural persons requires a uniform state regulation of local budgets and assurance of the stability of formation of their revenue part. The protection of local budgets against regional separatism and tax chaos is an important state task.

Before turning to tax problems of local finances, it makes sense to clearly determine the basic principles of Russian tax federalism. They are as follows: 1) The state tax system consists of the federal system, systems of Federation components, and local (municipal) tax systems. 2) Federative tax relations are built on the basis of stable sources of tax revenues and deductions. 3) Federal, regional, and local tax policy is implemented within the framework of the Constitution, the state tax concept, government tax programs, and tax legislation of the Russian Federation (the RF Tax Code). 4) Tax discipline serves as the main characteristic of federative tax relations. 5) State tax policy conducted by the RF Ministry of Finance is a guarantor of the unity of the tax space in the Russian Federation. Only the government's strict adherence to these principles with the demand of the same from regions makes it possible to count on an effective federal policy with regard to local self-administration bodies.

Today one must regretfully state that mistakes have been made in the implementation of tax reform. The lack of proper attention to the development of a local taxation system is the main one. The transfer of big tax powers from the center to regions, while they are excessively limited in local self-administration bodies, is another very important mistake.

The bulk of financial resources, more than 50 percent, is now concentrated at the level of Federation components. At the same time, however, more than 90 percent of the social federal programs are financed from municipal budgets of Russian cities and rayons. Programs for housing and municipal services are almost fully carried out from these budgets. Energy policy with respect to industrial enterprises, food purchases for the population, and development of the market infrastructure is formed at the city level. Under such conditions it is impossible to put up with the fact that the municipal budget, as before, remains an affiliate without rights of the budget of the Federation component. As earlier, expenditure normatives are lowered "from above" and at the end of the financial year the budget deficit again approved by the region is adjusted to them. No wonder that with such an approach normatives of deductions into local budgets from federal and regional taxes are changed several times during the year. Under such conditions it is hardly possible to count on the stability of local budgets. Thus, the existing situation promotes the preservation of dependence, bureaucratism, and wage leveling, not the development of local self-administration. Such a "procedure" for mutual budget relations, which, basically, is unsystematic, involuntarily provokes the appearance of special budget regimes, agreements, and one-channel tax relations.

Many problems exist in the system. The tax system remains tangled and in many respects contradictory. As an example one can refer to the enterprise property tax. It is established by Federation components, but one-half of the revenues obtained in the process is distributed to local budgets. Meanwhile, it seems obvious that local self-administration bodies should regulate the property tax policy of enterprises located in their territories. Income tax on natural persons is another example. Proceeding from the spirit and letter of the law this is a federal tax, but it is fully entered in budgets of Federation components—in fact, in local budgets. However, local representative bodies of power cannot change this tax rate, or grant a privilege to some category of payers, although regarding other federal taxes, for example, the profit tax and the value-added tax, they are able to do this within the amounts entered in their budgets. A large number of such examples can be cited.

Now it is exceptionally important to change over to actions in the formation of budget and tax relations, which would meet the immediate goals of economic stabilization and harmoniously combine discipline in the execution of laws and freedom of actions in localities.

A unified system of local taxes built on common state principles and collection methodology should exist in the country, because it is inadmissible to pull local taxes out of the entire taxation system. Deductions (additions to) from the federal tax should have the status of a local tax provided it is regulated by the federal, not regional, budget. Here there are three approaches to the regulation of the normative of deductions. This function can be performed by federal and regional authorities; only by the body of power that introduced this tax: a federal body in coordination (on recommendation of) with the corresponding regional body. Possibly, the last variant is the most acceptable under present economic conditions. With regard to nontax revenues, they, like local taxes, should be fully entered in the budget of the appropriate territory.

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The need to assign to local budgets revenue sources that would guarantee a stable revenue return is of fundamentally great importance. In connection with this it seems that in local taxation main emphasis should be placed on property and income taxes. In this connection, first of all, it is necessary to transfer the enterprise property tax to local competence, greatly increasing its maximum rate. The land tax should become not only local in form, but also in essence, and this means that it should be fully entered in local budgets. It is advisable to apply the same to taxes on the income of the population and entrepreneurs, including that computed according to the declaration. Such a decision stimulates local bodies of power to tighten control over this income and to improve the organization of the collection of appropriate taxes. For a better existence of such an approach it is important to ensure openness in the use of income taxes for the needs of financing of municipal economic and social programs.

The simplified system of taxation and accounting for subjects of small entrepreneurship developed by the RF Ministry of Finance will become a real step on the path of improvement in local taxation. It is suggested that the existing procedure be changed and provision be made for the payment by juridical persons—subjects of small entrepreneurship—of a single tax on income with a significant simplification of the mechanism of its collection and submission of reporting on payment.

The rate of a single tax on income in the part entered in the federal budget is set for all enterprises that have changed over to this system in the fixed amount of 10 percent. The maximum rate in the part of a single tax entered in regional and local budgets cannot exceed 20 percent. It is advisable to introduce such a procedure for subjects of small entrepreneurship, which are juridical persons and have up to 20 people employed in production activity and up to 10, in retail trade, in everyday services for the public, and in the provision of services. The transfer of enterprises engaged in the production of products subject to excise taxes to this system is not permitted.

Thus, on the basis of the constitutional principles of tax federalism it is necessary to speed up the processes of reforming of finances, for which it is necessary to determine the list of measures on the formation and development of a local (municipal) tax system.

Such measures, first of all, can include the drafting of a temporary (until the adoption of appropriate legislation) standard statute on the municipal budget and the tax system with the organization of control over bringing all local budgets, irrespective of the status of the Federation component, into conformity with this statute, with the implementation of explanatory measures, and so forth.

The temporary statute on the local budget and the tax system will determine the list of local types of taxes and nontax revenues, the mechanism of the new budget process, local tax rates, their term of validity, the competence of local bodies of self-administration in the field of mutual federative tax relations, the municipal budget classifier (within the single state classifier), the procedure for mutual relations between financial and tax services in localities, and so forth. This document will become a guide to action in the drafting and realization of the unified federal government program for the regulation of the development of the municipal financial system.

It seems that Russia's municipal tax system should consist of the following types of tax revenues of local self-administration bodies: The first—local (municipal) taxes of federal significance, which include the land tax, the tax on the property of natural persons, the tax on the property of juridical persons, and income tax on natural persons. Here it is a matter of taxes forming the basis for local budgets. In the strategy of development of tax reform they should have the tendency toward an increase both in terms of rates and the taxation base. They must be fully entered in local budgets. However, the regulation of the indicated budgets should be carried out through federal legislation.

Second—local (municipal) taxes of local significance. These are dues for the right to trade; registration dues from juridical persons engaged in entrepreneurial activity; health resort dues; special dues from citizens and enterprises for the maintenance of the militia, civic improvements in territories, needs of education, and other purposes; tax on advertisement; excise taxes on alcoholic beverages and tobacco products; tax on the maintenance of housing and facilities of the social and cultural sphere. These types of taxes should have a local regulation. Their introduction is carried out exclusively for the purpose of managing municipal budget deficits and expenditures on such an introduction should be applied to the deficit and revenues, to its elimination alone.

Local (municipal) taxes as deductions from federal taxes represent the third type of tax revenues of local bodies of self-administration. It unifies the following: the normative of the value-added tax (municipal value-added tax); the normative of the profit tax (municipal profit tax); the normative of taxes entered in road funds; the normative of the charge for water. These taxes (normatives) are regulated exclusively by the federal budget and are annually approved by the Ministry of Finance on the recommendation of the appropriate region. From the strategic aspect they should be characterized by a tendency toward a reduction of rates with an expansion of the taxation base.

Finally, local (municipal) tax revenues represent the fourth type. It includes revenues from municipal property and assets; fines and penalties; license dues. The indicated revenues enter the local tax system, because they perform a fiscal function and are subject to a mandatory entry into local budgets. From a strategic perspective these revenues should have a tendency toward an increase on the basis of the development of municipal entrepreneurship (trade, everyday services, housing construction, and so forth).

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The tax system shown here is seen as the basis for the financial development of local self-administration under present conditions. It is also important that it creates the prerequisites for quality control on the part of the RF Ministry of Finance over the course of tax reform in localities.

The development of the local tax system, as, on the whole, of taxation in Russia, requires an improvement in the organization of the management of tax and financial services. Perhaps it makes sense to give the RF Ministry of Finance the right to carry out day-to-day management of the State Tax Service and the RF State Customs Committee, of course, preserving them as independent federal departments for the purpose of a uniform management of the government's financial and tax activity. It seems that the role of the RF Ministry of Finance in the control over the efficiency of taxation, including in localities, has now been narrowed unjustifiably.

Footnotes

*The material will be fully published in ROSSIYSKIY EKONOMICHESKIY ZHURNAL, No 4, 1995.

*Mechanism of Central Bank's Work Outlined

954E0903A Moscow KOMMERSANT-DAILY in Russian 25 Apr 95 p 5

[Article by Yaroslav Skvortsov: "Central Bank: There Are No Strangers Here"]

[FBIS Translated Text] **On Friday of last week the Duma definitively adopted the law "On Introducing Changes in and Supplements to the RSFSR Law on the RSFSR Central Bank," not having agreed with the changes proposed by the Federation Council. Now the draft law will be submitted to the president for signature. In the opinion of KOMMERSANT-DAILY experts, the president, most probably, will sign the law and after that, obviously, will again submit for the parliament's approval the candidacy for the post of chairman of the Central Bank—now acting chairman Tatyana Paramonova. Since in the banking world Paramonova has already managed both to win allies and to make enemies, the fight over her appointment can be very intense. All these circumstances again put the Central Bank and its present manager in the center of public attention. Today KOMMERSANT-DAILY publishes an article by Yaroslav Skvortsov, its special correspondent, who tried to understand how the "country's chief bank" operates.**

New Broom Sweeps In a New Way

As of October of last year, since the resignation of Viktor Gerashchenko, former chairman of the Central Bank, the Bank of Russia has lived in an atmosphere of uncertainty. Everyone agrees that the adjective "acting" in Tatyana Paramonova's post is the source of the uncertainty. It is quite clear that the figure of the chairman of the Central Bank is a key one. The chairman determines the strategy and selects people for top posts in the bank—in the council of directors. "Acting" communicates uncertainty to the entire system. No one will undertake to forecast how long-lived both the present policy and the present appointment will be. This largely explains the certain disorder in the Central Bank in the last few months.

People say that under Viktor Gerashchenko the council of directors worked as a well-adjusted mechanism. A clear division of labor existed within the council. First Deputy Arnold Voylukov supervised the Department for the Regulation of Monetary Circulation and the Department of Issuing-Cash Transactions; Tatyana Paramonova, the Consolidated Economic Department and the Department for the Organization of the Execution of the State Budget and Extrabudgetary Funds. Dmitriy Tulin dealt with matters of bank oversight and foreign operations departments and of the Main Administration of Currency Regulation and Currency Control, as well as of the Administration of Securities. Aleksandr Khandruyev had many subordinate departments, including research, information, and statistics, informatization, administrative, and legal departments, the Personnel Training Department, and the Main Administration of Inspection of Commercial Banks. Moreover, he was a kind of spokesman of the Central Bank: He announced the policy of the Central Bank, arranged "leaks" to the press, and so forth. Vyacheslav Solovov dealt with questions of the methodology and organization of interstate settlements, as well as supervised the Organizational Committee of the Interstate Bank (which, it seems, was never fated to be born). Collection, guard, and various technical services, such as the Administration of Construction and Material and Technical Supply, were subordinate to Rinat Setdikov. An efficient procedure for the passage of documents operated in this system. The appropriate department transferred the prepared statute or circular to its supervisor, who presented it to the bank chairman. At the same time, Viktor Gerashchenko solved global, strategic problems individually and entrusted lower-level problems to his deputies. All this ensured a comparatively quick passage of papers through the bureaucratic labyrinths of the Central Bank.

After Gerashchenko's resignation the entire system was somewhat thrown into confusion. Various sources in the bank point to two reasons for such a disorder. The first—the style of management characteristic of Tatyana Paramonova: a meticulous analysis of all details and full control over subordinates. As a result, the institution of supervision itself began to erode. For example, Aleksandr Khandruyev formally has inherited departments, which Tulin supervised, but Tatyana Paramonova keeps the Department of Bank Oversight "in the field of vision." The Administration of Securities headed by Andrey Kozlov, who was recently appointed the new deputy chairman, is also under the acting chairman's observation. Today any decision of the slightest importance at the level of a department manager and higher must receive Paramonova's approval without fail. Therefore, it is not surprising that her work

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day often lasts from 10 am to 2 am and on the table of the Central Bank's acting chairman a mountain of unread documents grows from day to day. The long awaited instruction on import operations prepared by the Department of Foreign Operations as long ago as last fall also lies somewhere there.

According to the new rules, any outgoing document of the Central Bank must be approved in the Consolidated Economic Department and in the Department of Accounting and Reporting of the Central Bank. Recognizing the importance of control over the bank's normative acts, Central Bank representatives note that now documents have begun to pass "through instances" more slowly. The new procedure causes additional frictions among departments, because experts of the Department of Accounting, who approve documents, are not always oriented quite well in individual special matters. People say that sometimes they drive workers, for example, of the Administration of Securities almost to hysterics with such remarks as the following: "Guys, your records are too complex. Rewrite."

(Not disputing at all the opinion of people who know the situation in the bank from within, we would like to note the following: In our opinion, despite all the problems that really exist, under Tatyana Paramonova the Central Bank operates quite efficiently. In particular, the efficient and competent actions by the Central Bank during the currency crisis in January 1995 made a strong impression on KOMMERSANT-DAILY experts. We will recall that at that time the Central Bank quickly took a number of steps: rise in the refinancing rate, restriction on the limit of the open currency position of commercial banks, and increase in reserve requirements, which made it possible to reduce the rush demand for currency and to prevent a sharp drop in the rate of the ruble. Under Paramonova the position of the Central Bank with respect to insolvent banks was obviously toughened and the number of revoked licenses reached dozens. The Central Bank took various measures aimed at increasing the reliability of the banking system. For example, tougher requirements on banks operating with the population's funds were introduced, a statute regulating the creation of reserves against possible losses on loans was issued, and so forth. The recent attempt by the Central Bank to again raise reserve requirements, despite the negative reaction of commercial banks, is a fully logical step if we recall that the government conducts an anti-inflationary policy).

Let us turn, however, to changes in the decision making mechanism in the Central Bank. Tension with personnel is another reason for the complicated situation, which was pointed out by some sources in the bank. After Tatyana Paramonova's move to the rank of chairman and Dmitriy Tulin's resignation there was a catastrophic shortage of deputy chairmen. Therefore, in particular, Paramonova was not able to fully shift to subordinates the work with departments, which she previously supervised as deputy chairman. In brief, this led to the fact that a special class of department managers "well received in the cabinet" of Tatyana Paramonova appeared in the Central Bank. Naturally, these were primarily subdivisions supervised personally by the acting chairman of the Central Bank. Obviously, Paramonova understood that not everything was in order with the distribution of duties and with the load on deputy chairmen. However, the lack of confirmation in the post and of a law on the Central Bank during the winter kept her from serious personnel reshuffling.

The bank management examined the question of adoption of the law primarily with the lower chamber of the parliament, where, incidentally, the draft law passed with a minimum number of "black balls." However, when the upper chamber "rejected" the draft law and it was suspended in an indefinite state, obviously, the acting chairman's patience ran out and personnel reshuffling in the management of the Central Bank began.

Central Bank Relies on Its Own People

Most of the people we talked to agreed with the opinion that the Central Bank is a caste institution of the highest degree, which rejects strangers. For any candidate for a key post in the bank a long (short) service in the system of the USSR State Bank/Central Bank of Russia is one of the main advantages (disadvantages). In this sense Tatyana Paramonova is an ideal candidate. She came to the Administration of Settlements of the USSR State Bank immediately after graduation from a higher educational institution in 1972. In 1992, when the State Bank was abolished and Matyukhin's team came to the Central Bank of Russia, Paramonova left the post of chief of the Administration of Control Over the Execution of the State Budget and for about 3 months worked as vice-president of Petrokommertsbank. Viktor Gerashchenko convinced her to return to the Central Bank (a long serious talk on this was held between them). Later, again according to rumors, she admitted that she felt better as an official engaged in state interests.

Another serious talk with the head of the Central Bank was held last October, when Gerashchenko offered Tatyana Paramonova the assumption of the chairman's duties. From the point of view of the Central Bank caste, this decision was sensible regardless of how further events unfolded. If Gerashchenko's disgrace proved to be of short duration and he returned to the bank, the deputy would readily give up her place to the patron. However, if the departure was final, it was important to leave one's own person at the helm—not so much Gerashchenko's person as the Central Bank's person.

The latest appointments once again confirm that the Central Bank prefers to see its "own people" in key posts. In 1992, together with Paramonova, Tatyana Artemova moved from the State Bank to Petrokommertsbank. After Tatyana Paramonova's appointment to the post of deputy chairman of the Central Bank of Russia Artemova occupied her post in Petrokommertsbank. At the end of this March she moved to the Central

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Bank to the post of deputy chairman. True, the sphere of Tatyana Artemova's official interests has not yet been determined. According to unconfirmed information, she will have to supervise the Main Administration of Inspection and the Department of Bank Oversight.

Andrey Kozlov, chief of the Administration of Securities, was appointed deputy chairman of the bank somewhat earlier. He, as at one time Paramonova, came to the Central Bank after graduation from the institute in 1989. Incidentally, some Central Bank workers have a special attitude toward Kozlov. Many believe that he will be the future chairman of the Central Bank, sometime "after the year 2000." And again we will stress that everyone in the Central Bank talks about him as "our man who grew up in the Central Bank."

Aleksandr Khandruyev's situation is somewhat different. When in March the Council of Directors of the Central Bank adopted the decision to appoint him first deputy chairman, KOMMERSANT-DAILY experts rushed to interpret this as evidence of Khandruyev's increased influence and as an indication of a certain correctness concerning the rumors about his possible promotion to first roles. In fact, the situation is much more complex. The point is that Aleksandr Khandruyev is not quite the Central Bank system's "own" person. In the 1980's he worked in the Scientific Research Institute of Banks of the USSR State Bank and then he took up work in Stanislav Shatalin's Reform Foundation. A curious crossing of Khandruyev's, Gerashchenko's, and Voylukov's paths occurred there. After leaving the State Bank, for some time Viktor Gerashchenko worked in the foundation under Aleksandr Khandruyev's authority and, when he returned to the Central Bank, he invited him to the post of deputy chairman. Hence it is obvious that Khandruyev's present service in the Central Bank is not long enough for him to claim, by virtue of existing unwritten rules, the role of the first person.

Moreover, as we have found out, Aleksandr Khandruyev and Tatyana Paramonova are by no means bound by simple mutual relations. Even during Gerashchenko's times there was a strong rivalry among the three deputy chairmen—Paramonova, Khandruyev, and Tulin. People say that sometimes Dmitriy Tulin even left the council's meeting hall as a sign of protest owing to a disagreement with Paramonova's words.

In this situation it may seem strange that, when Paramonova headed the Central Bank, Khandruyev began to supervise a number of very responsible departments. However, this is only at first glance. First, as we have already noted, Paramonova, formally not being a supervisor, closely watches over several departments, which formally are in Khandruyev's sphere of influence. Second, in the opinion of KOMMERSANT-DAILY experts, all this can resemble the tested apparatus method: At first a person "is shown trust" and a great deal of all kind of work is entrusted to him, but then he does not cope with it and is the one to be blamed. All this gives reason to assume that for the present the rumors about Aleksandr Khandruyev's possible appointment as chairman are no more than rumors.

As has already been said, only a person who has worked in this system for many years can occupy the post of chairman of the Central Bank. It will be appropriate to talk about how, in general, people get into the Central Bank. From explanations by many present and former Central Bank workers we were able to form a notion of three basic variants. The first path is traditional, when the personnel department engages in the selection of specialists. However, by such a method it is by no means possible to get into all departments. The path to departments supervised by Aleksandr Khandruyev is the second variant. The procedure of hiring for these departments is extremely formalized and requires the filling out of a large number of very detailed questionnaires. Khandruyev believes that under no circumstances should people with any dubious connections or a dark past get into the Central Bank. Undoubtedly, there is a reason for this. The Administration of Securities under the authority of Andrey Kozlov is the third variant. It must be stipulated that the above-mentioned administration represents an unusual phenomenon for the Central Bank. The average age of its workers is 26 or 27 years. These are people of a new formation, who highly value professionalism and have not yet forgotten what they were taught in the institute. Here the hiring procedure resembles an entrance examination: The "admission commission" sits, its members ask the "applicant" questions from various spheres connected with the stock market, then the commission retires to deliberate, and decides: hired or not.

There Is Nothing More Permanent...

Let us turn to the situation concerning the appointment of the Central Bank chairman. Undoubtedly, traditions of the bank itself are of great significance during the appointment of the manager of this important organization. The history of Viktor Gerashchenko's return to the Central Bank in 1992 and his retention of this post during 2 years, despite all the fluctuations in the political situation, are good proofs of this. However, there are also external forces, a certain circle of people outside the Central Bank, who try to exert influence on the solution of the problem of the new chairman.

Rumors that someone from among managers of commercial banks can occupy the post of head of the Central Bank spread in banking circles from time to time. Such a turn of events does not seem very probable, but such a possibility cannot be fully rejected. Throughout the world bankers consider the post of head of the national bank the height of professional success. However, here, too, there are nuances similar to those that exist inside the Central Bank itself. People, who have worked in the system of specialized banks or Soviet foreign banks their entire life, have more chances to enter the Central Bank. All of them know each other well and, what is of no small

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importance, are close in age—all of them are over 50 years old. It is the age of this category of bankers that makes their move to a new capacity unlikely. They have already achieved a great deal, some of them head large banks, and it is doubtful that they will decide to begin anew the career of a state official, including for reasons of a financial nature. It should be noted that the amount of wages is a sore subject for the Central Bank. In the last few years many specialists have left the Central Bank for commercial banks, primarily for financial reasons. The average wages of a Central Bank worker total 475,000 rubles per month and the head of the Central Bank receives 1.6 million rubles. True, once or twice a year workers receive large one-time payments from the profit of the Central Bank—from 3 to 40 million rubles.

Recently, talks about the possible appearance of a person from a commercial bank in the management of the Central Bank have acquired a new sound. People say that, soon after Tatyana Paramonova's appointment to the post of acting chairman of the Central Bank, Vladimir Vinogradov, president of Inkombank, and Sergey Yegorov, president of the Association of Russian Banks, visited her. Having congratulated Tatyana Vladimirovna on her promotion, the bankers offered her a "gentlemen's agreement": The head of the Central Bank introduces into the membership of the council of directors a person from commercial banks (candidacy from Inkombank was proposed) and commercial banks guarantee the approval of Tatyana Paramonova's candidacy for the post of chairman of the Central Bank in the parliament. People say that Paramonova answered with a rejection. In essence, the Association of Russian Banks did not comment on these reports, announcing only that, in fact, consultations between heads of the Central Bank and the Association are held from time to time. It is possible that the formation in the Duma of two groupings, that is, "for" and "against" Paramonova (KOMMERSANT-DAILY wrote about this several days ago), behind which appropriate banks stand, has become the direct consequence of these unsuccessful negotiations. Oleg Boyko and the Natsionalnyy Kredit [National Credit] Bank are classified with those that are "for" and Inkombank, Most-Bank, and some others, with those that are "against." Thus, to all the other problems connected with the appointment of the chairman of the Central Bank another one—rivalry among various bank groupings—can be added. Ultimately, all this can lead to a delay in the solution of the problem of the bank chairman and retention of the adjective "acting" in front of Tatyana Paramonova's title for quite a long time. People say that, recently, the Central Bank has especially grown fond of the saying "there is nothing more permanent than something temporary."

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Distribution of Duties Regarding Supervision of Subdivisions Among Members of the Council of Directors of the Central Bank

Key:—1. Tatyana Paramonova, acting chairman of the Central Bank—2. Arnold Voylukov, first deputy chairman of the Central Bank—3. Rinat Setdikov, deputy chairman of the Central Bank—4. Andrey Kozlov, deputy chairman of the Central Bank—5. Tatyana Artemova, deputy chairman of the Central Bank—6. Aleksandr Khandruyev, first deputy chairman of the Central Bank—7. Vyacheslav Solovov, deputy chairman of the Central Bank—8. Administration of Securities—9. Department of Regulation of Monetary Circulation—10. Department of Issuing-Cash Transactions—11. Department of Research, Information, and Statistics—12. Department of Banking Oversight—13. Department of Foreign Operations—14. Main Administration of Currency Regulation and Currency Control—15. Department of Informatization—16. Legal Department—17. Administration of Construction and Material and Technical Supply—18. Administration of Methodology and Organization of Interstate Settlements—19. Organizational Committee of the Interstate Bank—20. Administrative Department—21. Department of Personnel Training—22. Main Administration of Inspection of Commercial Banks—23. Department of Methodology and Organization of Settlements—24. Free Economic Department—25. Department of Accounting and Reporting—26. Department for the Organization of the Execution of the State Budget and Extrabudgetary Funds—27. Department of Methodology and Organization of Settlements—28. Central Bank subdivisions most important from the point of view of KOMMERSANT-DAILY experts are marked with a check mark.

***World Computer Technology Exhibit Opens 24 Apr**

954Q0171A Moscow KRASNAYA ZVEZDA in Russian 22 Apr 95 p 5

[Article by V. Baberdin: "Electronic Show on Krasnaya Presnya"]

[FBIS Translated Text] During the last week of April, the Central Exhibition Complex on Krasnaya Presnya will become the center of attraction for all computer forces on the planet. Moscow has never seen anything like this. Nearly 700 firms will present their exhibits occupying an area larger than 20,000 square meters. The most advanced computer technology, network equipment, software, peripheral devices, means of communication, and much more will be on display there. The Comtech exhibit became traditional and is being held for the sixth time. Its organizers, the Krokus International Company and the American Comtech International Corporation, began with a small pavilion at the old VDNKh [Exhibition of Achievements of the National Economy of the USSR]. Today the area at the disposal of the Ekspotsentr

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is almost too small. Sites were bought up by firms as long ago as last year at Comtech-94. At that time it was held in a single pavilion but enjoyed great popularity; the stream of visitors was continuous all week. It is assumed that this time around 300,000 specialists may come to the exhibit. Requests for tickets came from all parts of the CIS and from many foreign countries.

Such interest is understandable since the computer is a necessity today. It was determined that there are around 140 million personal computers in the world at the present time. It is a curious fact that there are more computers than television sets in European homes. One feels sorry for the Russians, however, because it is impossible for them to purchase a computer (at least it is for an officer). According to THE NEW YORK TIMES there are 417 computers per 1,000 employed citizens in America while in Japan there are 99. The most highly computerized countries in the world are Australia (175 Australians out of 1,000 have their own computers) and Singapore (116). We, however, have nothing to brag about here. There is a total of only 0.2 computerized work places per 100 individuals engaged in production. At the same time, if one considers our central cities then, of course, the indexes will be different. The saturation of banks, offices of private firms, and commercial enterprises with computers is proceeding dynamically. The organizations supplying computer equipment are also appearing like mushrooms after a rain.

The computer business is undoubtedly a highly profitable endeavor at the present time. The specialists contend that more personal computers are sold in the world than, let us say, motor vehicles, while by the year 2000 there will be more computers sold than television sets.

I asked Vyacheslav Korchagin, first deputy chairman of the Committee of the President of the Russian Federation on Computerization Policy, to comment on the forthcoming exhibit. He said: I must say that the idea of the Comtech Exhibit is very popular among domestic specialists on computers and computerization who work both in commercial and in state structures. One must not have any illusions, however, that the exhibit reflects the true state of affairs in Russia. That, however, is not even its task. The main task being pursued by the organizers is to attract and demonstrate the latest and greatest achievements of the computer world. There are also some hidden reefs: according to the information we have, western firms are not bringing their latest achievements to Comtech and are not striving to sell them on the Russian market. Even the information they are providing on them is very scarce. Therefore, on the whole we must primarily count on our own forces, even though it will of course be impossible for us to get by without integrating.

Many joint commercial ventures have formed on the computer market in Russia, Korchagin continued. These are called system integrators. This is a good sign because just recently it appeared that the sphere involving production of computer systems was lost forever for us. I was simply infuriated by the theory that we have fallen behind in that area for good. We have had and now have excellent firms as well as highly skilled specialists who are capable of working and are working at the international level. They just need help. At present they are perhaps not rising above the Russian market, but there are already instances where our production firms are supplying their products to the West.

How do the government and state structures view the support of domestic producers of electronic equipment and the entrepreneurs? If we recall previous years, it was specifically with the aid of government organs that a powerful scientific-technical potential of the electronic industry was created and has now been destroyed. It is, however, impossible to ignore the universally recognized fact that computerization in the 21st century will be a determining element in the development of all spheres of the government. No market economy will be able to exist without a developed infrastructure based on computerization.

We have a decision of the Coordination Council of the Administration of the President of the Russian Federation on Computerization which in essence provides the basis for preparing proposals aimed at supporting Russian producers of data systems. We also have some concrete documents. For instance, the concept for support of domestic developers and producers of computer equipment and the concept for support of domestic producers of software are in the final stage of preparation, and the national report on data resources of our country and proposals on civilized measures pertaining to the support and development of that sphere of activity have been prepared. According to the declaration of the president, the program of work on data processing technologies at the state-wide level is likewise being prepared. The law on data—computerization and protection of data—has also been adopted establishing statutes which in essence ensure the development of computerization as well as the producers of computer equipment and the means of communication. There is an abundance of documents, but they will not ensure a change in the situation on their own. At present it is very important to feel the effect of state structures. Concrete deeds and subsidies are needed.

Now about the attitude of the government toward the problem concerning computerization and the specialists working in that sphere. Let us look at the international technical exhibits. Opening them, our state leaders say some nice things and that is it. In other countries there is a different system. That can be vividly seen, for instance, at the SeVIT-95, a very large exhibit of computer equipment which takes place every year in Hanover. That exhibit, by the way, has a very high rating in the world, but Comtech is already comparable to it in number of visitors and representatives. At SeVIT, for instance, we appeared very pale with scattered exhibits of individual ministries and agencies. In the immediate vicinity, however, were the Canadian exhibits. It is a country which on the whole does not occupy any special position in the

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world in the field of computerization, but they were so well prepared. In essence the state structures were able to gather all of their large and small national producers and systems developers under the Canadian flag, their traditional maple leaf, and show the level of computerization in the country. Displays by Thailand, Israel, and other countries were executed with equal brilliance. Russia, however, was in essence absent from Hanover even though there were some interesting exhibits.

Now let us return to the Comtech—95. It will not have a common Russian pavilion. Domestic producers will be scattered among small display stands and I believe will be barely noticeable. Right now we are attempting to accomplish something important by the time of Informatika-95 in the fall, but we are being told: organize everything within the limits of your budget. Our budget of today, however, as they joke bitterly, is a ridiculous illustration of the large number of presidential edicts on the importance of the tasks of computerization and of those concrete steps being taken, or rather, not taken by the government.

Thus, on 25 April the doors of the Comtech-95 exhibit will open for visitors. One would like so much to understand the full impact of the computer show not just at the pavilions and at work, but perhaps at some later time at home as wel

*No Investors For Developing European Russia's Gold Deposits

954E0886B Moscow ROSSIYSKAYA GAZETA in Russian 21 Apr 95 p 7

[Article by Aleksey Chichkin: "Gold Fever Under Moscow—Valuable Fields Await Investors"]

[FBIS Translated Text] When I found out about this, I couldn't even believe it. There are gold-bearing sands and soils around Moscow! And in Smolensk Oblast, and in the Central and Lower Volga. Kimberlite pipes have even been found!

No, this is not an April Fool's joke. Research conducted in 1992-94 by the Central Scientific-Research Geological Exploration Institute of Non-Ferrous and Precious Metals (TsNIGRI) of Roskomnedra [Russian Mineral Resources State Committee] has established that there are up to 12 placer shows in the Moscow region alone, with no fewer than 150 of them in all across Central European Russia. The average gold content in the sands and soils is 0.45 grams per cubic meter, including 0.3 around Moscow and two grams in the Central and Lower Volga. Smolensk Oblast is the leader in gold-bearing sands and soils—the average gold content there approaches four grams per cubic meter.

The known "gold" reserves exceed 160 tonnes. There are from 65 to 85 tonnes in Moscow Oblast. And they could be extracted. Analogous gold fields have been developed in many countries, after all, since the 1980s—in North America and Australia, South Africa and Chile, Israel and Syria, Iran and China. The researchers of TsNIGRI thus favor the start of the corresponding development in the region, the more so as foreign investors intend to invest funds on a long-term basis only in promising industries of Central European Russia. The gold and diamond fields found here are becoming a tasty morsel for many Western firms.

In the opinion of TsNIGRI director Igor Migachev, the combines located in the region for the reprocessing of the sands and gravels, of which there are more than 40, could set up the commercial extraction of the gold, as well as other precious components that are contained in the raw sand and gravel, right now: magnesite and ilmenite concentrates, titanium and indium, bismuth and beryllium. The more so as the appropriate equipment—electromagnetic separators and gravitational-enrichment units—is manufactured at some of the machine-building plants of Russia and the near abroad.

None of the industrialists, however, are in any hurry as yet to take up, so to speak, a second job as gold producers. They most likely do not believe it. The immediate professional gold producers feel that the production of gold in the Moscow-region asphalts will not give them much of a take compared to Yakutia and Chukotia. TsNIGRI has been proposing since 1993 that 20 major combines processing sand and gravel begin the commercial extraction of gold and "parallel" components from the raw materials coming in for processing. Only one so far—the Vyazemskiy Combine in Smolensk Oblast—has replied to this proposal; they intend to start the extraction of gold in their quarries this year. But this is only a test. Investments on the scale of 2—2.5 billion rubles are needed, according to TsNIGRI estimates, for a sweeping turnaround in the matter, which could be recouped in 6—8 months. The payback period for these investments could be reduced to 4.5—5 months in the event of increased demand for gold from European Russia on the part of foreign importers. But there are no investors yet, and you can't get very far on enthusiasm alone.

Scientists feel that "we must produce at least a few dozen pounds of gold in the European part of Russia. Then many will understand that it is possible." I would add, however, that it is also possible to produce diamonds in Central European Russia.

Geological survey has been underway for three years in the kimberlite pipes of Tver, Kaluga, Lipetsk and other oblasts. And again, success! A kimberlite-type diamond of several carats was found in Voronezh Oblast close to the city of Pavlovsk. Kimberlite fields containing jewelry rather than industrial diamonds have been found in western Tver Oblast (Nelidovo-Ostashkovskiy Rayon) and in Kaluga, Lipetsk, Bryansk and Smolensk oblasts. In the words of Valeriy Vaganov, head of the department of the economics of diamond fields of TsNIGRI, "we are dealing with a new kimberlite subprovince in the center of the East European platform." The subsurface mineral

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resources of Central European Russia, in the opinion of experts from that institute and the Tsentrogeologiya enterprise, contain exclusively jewelry diamonds. The share of high-quality "raw diamonds" in the overall resources of the diamond field here, according to preliminary estimates, is an average of 40—55 percent, while it is 20—30 percent in Yakutia and not more than 30 percent at the Lomonosov field in Arkhangelsk Oblast.

But nothing is stirring yet on the diamond field. Even though the drilling of a single 100-meter diamond well here costs 20—25 million rubles, half that of Yakutia, no one is rushing to invest capital in the new industry for European Russia—they are also evidently waiting for the first few dozen pounds.

There is no clear-cut state policy to this day with regard to the diamond-producing industry of Central European Russia. A draft federal program for the Development of the Raw Minerals Base of Diamonds of Russia for the Period to the Year 2005 was submitted to the government of the Russian Federation in November 1994. It has neither been rejected nor approved as yet. More precisely, it has not even been considered. That is even though Roskomdragmet [Russian State Committee for Precious Metals], according to a number of sources, favors the commercial development of diamonds in Europe. Many specialists with whom I have spoken on this subject, however, feel—not unwarrantedly—that the principal opponent to the development of diamonds here is the Yakut—South African "diamond entente": they have no vested interest in competition.

*Course of Privatization in Tatarstan Reported

954E0907A Moscow KOMMERSANT-DAILY in Russian 26 Apr 95 p 3

[Article by Andrey Glagolev under the "Privatization in the Regions" rubric: "Moscow and Kazan—Twin Brothers"]

[FBIS Translated Text] Despite the extremely slow tempos of privatization, the leadership of Tatarstan does not plan either to change its model or to lengthen the period during which the individual privatization vouchers are in effect. "We do not plan on changing the term of the sale of individual privatization vouchers of the republic. The individual privatization vouchers will 'die' on 31 July 1995 in any case," declared the president of Tatarstan, Mintimer Shaymiyev, at a meeting with workers of the apparatus of the State Committee for the Administration of State Property [GKI], of stock exchanges, of voucher investment funds, and of the republic's industrial enterprises.

The popular idea that from the point of view of privatization, the country is divided into two parts—Moscow and "the rest of Russia"—is not true. This error was engendered by the particularly capital-city snobbism embodied in the secret certainty of a majority of Muscovites that their city is the center of the world. In actual fact, in regard to the methods of privatization of state property, Russia is divided not into two, but into three parts. Freedom from the GKI, still powerful a few months ago, was attained not only by Yuriy Luzhkov, but also by Mintimer Shaymiyev as well.

Tatarstan introduced individual privatization vouchers [IPCh's] for two years, from 1 August 1993, thus starting voucher privatization in the republic. An IPCh has a base nominal value of 30,000 rubles [R], and any resident of Tatarstan can get one. An IPCh cannot be bought and sold freely, and therefore it immediately became a particular kind of shield, protecting Tatarstan's economy from "foreign" investors. Incidentally, in a strictly juridical sense, such a system corresponds more closely with the Russian law "On the Privatization of State and Municipal Property in the Russian Federation," adopted back in July 1991 by the Supreme Soviet of Russia, than the presidential edict on voucher privatization adopted in August 1992, which gave rise to a voucher freely convertible on the market with a nominal value of R10,000. In the law it was envisaged, as a payment instrument, to open for all citizens so-called registered privatization accounts.

The higher nominal price of the Tatar IPCh's is explained by the fact that in Tatarstan, already at the first stage of privatization, a revaluation took place, not only of working capital, as in Russia, but also of fixed capital, which in the final analysis significantly raised the authorized capital of local enterprises.

Until recent times, the owner of an IPCh could either sell it on the exchange or invest it in his own enterprise or in investment funds. Only privileged categories of citizens (the disabled, war veterans, families with many children) could exchange their vouchers at face value for shares of highly profitable enterprises of Tatarstan. Today, in the words of GKI Chairman Farid Gazizullin, the GKI intends to change its tactics. The reason? Only three months remain until the vouchers lose effect, and half of the republic's residents have not yet received them. From 15 May of this year, preferential subscription will be extended to all residents of Tatarstan. Privatization in Kazan and Naberezhnyye Chelny will be taken under special control. In the capital, responsibility for this question has been entrusted to Mayor Kamil Iskhakov, and in Naberezhnyye Chelny a special sale schedule will be put together, since the joint-stock company KamAZ should give out to the population shares for R12 billion. It is said that the GKI in the final month or month and a half will allow the free convertibility of the IPCh on the analogy of the Russian voucher. For the time being in Tatarstan, the most active are auctions selling real estate, as an obligatory condition of which, part of the value of the facilities must be paid in IPCh's (for investment funds, 70 percent; for legal entities, 50 percent; for natural persons, 30 percent). And IPCh's participate not at face value, but with the quoted coefficient of 9.7.

"Nonetheless," declared Aleksey Semin, head of the Obrazovaniye voucher investment fund, to this KOMMERSANT correspondent, "thanks to the more rational

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approach, the first, voucher, stage of privatization in Tatarstan is being concluded very successfully. We did not allow the outside investor into the republic market, preserving our enterprises from sale on the cheap. And now, for the second, money, stage of privatization, we have something to offer.... If such a privatization policy in Tatarstan continues, then 1996 could become for Tatarstan the year for investment." Similar evaluations are completely natural, since the policy of the republic government virtually cut Russian investment funds off from operation in the republic, in which their local competitors reveled in the peace granted them by economic autarchy.

One may conclusively decide how real are the macroeconomic advantages of the model professed by the local authorities only in the case that the prognoses of GKI head Farid Gazizullin come true, that in the near future money privatization will bring the republic budget no less than R1 trillion. He declared that his department controls the situation on the Russian securities market: "The landslide sale of Russian shares will begin no earlier than fall, and Tatarstan will succeed in beginning its game before that time. Then we will sustain a pause (let Russian shares come out on the market), and then we will again offer ours."

*Government Rejects Another 'Industrial Policy' Version

954E0893A Moscow KOMMERSANT-DAILY in Russian 20 Apr 95 p 3

[Article by Vladislav Borodulin under the rubric "Industrial Policy of the Russian Government": "High-Technology Exports Stimulation Will Begin in 1996"]

[FBIS Translated Text] Another attempt by the Russian Government to formalize its industrial policy in document form has ended in failure. At yesterday's meeting of the current affairs commission, yet another version of the "Main Directions of Industrial Policy," prepared by the Goskomprom [Russian Federation Committee on Industrial Policy], was sent back for modification with a brief resolution attached: "Rewrite completely." Basically, this was no tragedy—the vague document, in many respects simply banal in content, could hardly produce any serious impact on the concrete actions of the authorities. Which cannot be said about the program for support of machine-building exports, which was as a whole approved yesterday.

The Russian Government's attention to the issue of industrial policy is produced more for show than anything else. The main directions of the cabinet's economic policy are periodically set by the general economic programs it adopts (such as the recently approved "Reforms and the Development of the Russian Economy in 1995-1997" program), and acquire concrete form, in particular, in the annual memoranda for the IMF. At the same time, domestic creativity with respect to industrial policy is not limited by any formal bounds—Russia's Western creditors traditionally ignore the nuances of relations between the state and industry, insisting only on a direct ban on subsidies and centralized loans to unprofitable enterprises. In these conditions, the endless production of documents similar to that discussed yesterday enables the government to mimic intellectual aid to the overall backward industry and neutralize some of the opposition's charges of forgetting the needs of the real economy. In addition, this process keeps Goskomprom specialists employed—one program alone assumes drafting several tens of normative acts, including a special law "On Industry."

The air-conditioning system malfunction in the Oval Hall of the White House prevented members of Soskovets' commission yesterday from discussing another issue related to the same topic—on measures of state support for national machine-building exports. As is known, through the efforts of Sergey Glazyev, who at the time was minister of foreign economic relations, a federal program of export development was drafted. It was not adopted by the government, however. The reason for the revival of this program—which is precisely what the committee on machine-building wants—is quite obvious. Boris Yeltsin's annual message unambiguously demands of the government energetic measures to correct the obviously raw-material structure of Russian exports. The authors of the government decree "On Additional Support of Exports of Products Manufactured by Russian Manufacturers" have managed to refrain from the temptation to simply order national companies to increase exports (the Ukrainian Government did that—see material on page 4).

Instead, they propose a set of measures already tested in foreign countries. For instance, the decree envisages credits (presumably provided by the state) for industrial exports; reimbursement of the difference between the market interest rates on loans and the "export credit interest rate;" and the creation of a system of export credit insurance. In addition, the authors consider it necessary to grant Russian enterprises state guarantees on bank credits attracted for production of exportable output, and making available state counter-guarantees on participation of Russian exporters in tenders for the construction of large industrial facilities. However, implementation of these measures, which theoretically may bring about an increase in Russian high-technology exports, is impossible until next year, and even then provided that relevant expense line items are built into the 1996 budget.

EXPORTS OF CIVILIAN-USE PRODUCTS TO FAR-ABROAD COUNTRIES

Year	Exports of civilian-use products (billion dollars)	Total Exports of goods from Russia (billion dollars)
1991	4.6	50.9
1992	3.7	42.4
1993	2.85	43.8
1994	2.25	48
1995	2.8	49.5

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*Research Center Heads Comment on Draft Part II of Civil Code

954E0886C Moscow ROSSIYSKAYA GAZETA in Russian 21 Apr 95 p 13

[Article by Aleksandr Makovskiy, deputy chairman of the Council of the Research Center of Private Law, and Stanislav Khokhlov, executive director of the Research Center: "From Rent to Concessions"]

[FBIS Translated Text] **Part II of the Civil Code will soon be submitted to parliament for discussion.**

Part I of the Civil Code went into effect at the start of the year. The regulations regarding the property status of citizens and the legal status of commercial and non-commercial organizations have been adopted and are operating in stable fashion, and their rights to the ownership, use and disposal of property have been defined. The general provisions contained in the Code on obligations and contracts have created a foundation for the regulation of market turnover. The first part of the Code has substantially restored civil legislation, but has not exhausted all of the rules that are necessary to straighten out economic relations.

The second part of the Civil Code needs to be adopted in order to complete the systematization of civil laws, and to bring their norms into conformity with the requirements of the contemporary Russian economy.

The draft was developed by the Russian Ministry of Justice and the Research Center of Private Law, with the participation of leading specialists in the realm of private law from the apparatus of the Government of the Russian Federation, the Institute of Legislation and Comparative Legal Studies, the Moscow and St. Petersburg universities, the Higher Arbitration, Supreme and Constitutional courts, the Urals Legal Academy, the All-Russian Academy of Foreign Trade, and the Moscow Institute of International Relations, as well as other legal institutions. The draft underwent preliminary expert analysis by legal scholars from the United States, Holland, Germany and scholars and specialists from Ukraine, Kazakhstan, Belarus, Kyrgyzia, Uzbekistan, Moldova and Azerbaijan.

Part II of the Code is expected to include more than eight hundred articles constituting four sections: "Individual Types of Obligations," "Exclusive Rights to the Results of Intellectual Activity (Intellectual Property)," "Inheritance Law," and "Private International Law."

The portion of the draft devoted to the specific types of contracts is the most voluminous. About six hundred articles define the procedure for concluding and executing both the contracts that are traditional to Russian law (purchase and sale, gift, lease, subcontract, conveyance, commission, authorization, hire, safekeeping) and the new types that have appeared in the contemporary market (trust management of property, rent, financial licensing, sale of enterprises). Quite detailed rules on various contracts are expected to be provided for in the Code, having in mind that the regulation of economic ties must be accomplished at the level of federal law, without permitting the regulation of relations among market participants in departmental and other legally binding documents.

Most of the norms of the draft define standard rules of behavior for the parties to a contract that are not mandatory. Such rules, which in special legal language are called suppletive, become the terms of a concrete agreement only in cases where the participants in the contract relations do not envisage some other form, procedure or methods of action. The suppletive rules of the Code on the deadlines and procedures for the delivery of goods, the performance of operations and the rendering of services, without diminishing the rights of the parties, offer participants in trade the standards that have been devised by domestic and international practice that, out of law, enter into the substance of most contracts, insofar as the parties usually do not feel it necessary to waste time and effort to coordinate terms and reject the prototypes in the law.

Strict rules that are mandatory for all participants, however, are essential for the organization of the complex relations of a contemporary market. They are, first and foremost, the rules that provide protection for the rights of consumers. Such mandatory norms are needed that would guarantee the observance of the interests of other individuals, as well as society as a whole in a number of cases, by the participants in contract relations. The draft Code thus contains quite a large number of so-called mandatory norms that bind the parties to act in a strictly defined manner. Rules on the liability of businessmen for the quality of consumer goods, work and services that do not permit alterations are envisaged in particular. The obligation has been established for retail trade enterprises, organizations in public transport, insurance organizations and banks to offer the corresponding services to anyone who seeks them, and on identical terms for all consumers. Agreements aimed at circumventing the procedure for attracting public money are proposed to be considered *a priori* null and void, and a simplified recovery mechanism for those who have lost their money from various types of enthusiasts of mass monetary collections has been envisaged.

The draft has systematized and updated the norms for the indemnification of damages caused to the life and health of citizens, as well as the property of citizens and legal persons. The principle of full indemnification for damages is followed consistently.

Rules regarding the transfer of property through inheritance gain considerable significance with the appearance in the ownership of citizens of such objects as apartments, plots of land, enterprises, the concentration of many shares of stock and other securities in the same hands, as well as expensive consumer goods. The prevailing regulations have not been reviewed since the

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1960s, are outdated and do not take into account the requirements of the Constitution or Part I of the Civil Code. The draft of Part II assigns a special section to inheritance. The constitutional right of a citizen to convey his property by inheritance is also expected to be guaranteed in the Code by means of the stipulation of norms that actually provide for freedom of testament. The draft permits in particular (as was the case before 1917 in Russia and is the case in most countries of the world) a simplified form of testament, the observance of which does not require dealing with a notary and the payment of fees therein, which are excessive for many citizens. The draft provides for a significant expansion of the circle of heirs under the law. In the absence of a will, not only those closest to the deceased but other relatives (including the grandfather and grandmother, brothers and sisters of the parents, and first cousins) are included in the inheritance, which effectively rules out the appearance of property that has no heirs.

The greatest interest would seem to be manifested in the section of the draft Code regulating relations associated with the creation and use of the results of intellectual activity. The draft includes not only systematized rules that were already contained in the laws on author's rights and patent law, legislation on selective breeding achievements, and trademarks. General provisions are also given here on the rights of the holders of all types of intellectual property. Rules on production secrets (know-how) have been envisaged for the first time in Russian legislation. The norms for the firm names of legal persons have been updated substantially. The focus has been placed therein on providing protection for the inalienable individual rights of authors.

One of the fundamental principles on which the draft is based is the conformity of regulations in Russian economic turnover with generally accepted international norms and the norms governing economic relations within the CIS.

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National Affairs

Pessimistic Assessment of Marchuk Moscow Visit

95P50110 Kiev VECHIRNIY KYYIV in Ukrainian 20 Apr 95 p 1

[Article by Ihor Nedyukha: "Results of the 'Polite Visit'"]

[FBIS Translated Text] The demonstrative televised handshake of Russian president B. Yeltsin and head of the Ukrainian delegation Ye. Marchuk can be viewed as the culminating moment of the Russo-Ukrainian talks held in Moscow on 18 April.

Concerning direct results of the talks, in spite of the traditional optimism of Ye. Marchuk, objectively they cannot be considered even comforting. Was is worthwhile to land a governmental "force" of more that 30 high ranking officials in Moscow only to hear the complaints of Russian President Boris Yeltsin directed against Ukraine, which for centuries was tied to Russia, now is resisting mightily, in contrast to the more submissive Belarus and Kazakhstan. Well, for what reason did the "ideological" instructions of A. Solzhenitsyn appear concerning the formation of Russian-Ukrainian-Belarusian-Kazakh alliance under the aegis of Russia?

Having taken advantage of the obvious political conditions after the Ukrainian decisions concerning Crimea and the corresponding statement of Russian president Boris Yeltsin on 15 April, the Russian side deemed it better to present a series of demands to Ukraine designed to "calm down" Ukraine, which has been striving to defend its state sovereignty. B. Yeltsin warned that Russia is hardening its position on the division of the Black Sea Fleet. What can one expect after the adoption of a moratorium by the Russian State Duma? In connection with this, the parallel statement of Russian foreign minister A. Kozyrev, that he does not rule out the use of Russian Armed Forces for the defense of the rights of Russians outside of Russia puts one on guard. This can fully apply to the use of the Black Sea Fleet which is based on the Crimean peninsula.

Russian Prime Minister V. Chernomyrdin made his contribution to the general "straitjacket" tone concerning Ukraine: if Ukraine allows any delays in payment for energy sources, then all the earlier signed agreements concerning the restructuring of Ukrainian endebtedness will be annulled.

Ukraine was only given "amortized" reprieves, in view of the Russian side's deviation from the initiative of First Deputy Prime Minister O. Soskovets, again returning to consideration of points of the Treaty on borders and dual citizenship. In the end they finally agreed to not include them in the text of the Treaty, having stipulated that be part of a separate treaty on the model of those signed between Russia, Belarus and Kazakhstan. However, does not the Ukrainian leadership reveal itself to be bound to certain obligations in satisfying the demands of the Russian side in those very supplemental accords in the name of the "gracious" assent of Russia to sign the basic Treaty?

Besides, where is the guarantee that even these points will not again become the subject of talks in light of the obvious tendency to present Ukraine with demands that are known in advance to be unacceptable to it, and which are merely shuffled like a deck of cards? All in all, there are no special grounds to share the optimism of Ukrainian Acting Prime Minister Ye. Marchuk, who does not exclude the arrival of Russian president B. Yeltsin and the signing of the Russo-Ukrainian Treaty before 9 May.

Centrist Deputies Seen Allied With Left

954F2171A Kiev KIYEVSKIYE VEDOMOSTI in Russian 15 Apr 95 p 3

[Interview with Yuriy Orobets, people's deputy of the Ukrainian Supreme Council, deputy chairman of the Reforms faction, and vice president of the Ukrainian Perspective Foundation, by Roman Kulchinskiy, press center of the Ukrainian Perspective Foundation; place and date not given: "Supreme Council Shows Its Colors—Finally"]

[FBIS Translated Text] On 7 April the Supreme Council heard the report on the work of the Supreme Council Presidium. A certain commotion preceded this event. But the deputies did nothing but take the report into consideration. Experts from the Ukrainian Perspective Foundation expeditiously processed information on the voting results by name on this issue. Below we present the reader a table reflecting how members of the various Supreme Council factions assess the work of the Presidium. Yuriy Orobets, people's deputy of the Ukrainian Supreme Council, deputy chairman of the Reforms faction, and vice president of the Ukrainian Perspective Foundation, provides commentary on the situation as it has developed.

[Orobets] In essence, no organizational decisions were adopted which would make it possible to improve the work of the Presidium or change the priorities of activity of the Supreme Council. Three factions—Rukh, Sovereignty, and Reforms—proposed that the Presidium's work be declared unsatisfactory, and they prepared a joint statement on their view of the report. Sergey Sobolev, chairman of the Reforms faction, read the statement. But opposition factions did not succeed in altering the course of examination of the issue. As a result, a unique opportunity for reforming the Presidium was missed. Unity, MDG [Interregional Deputies' Group], and The Independent have no particular grievances against the activity of Mr. Tkachenko. They therefore assume responsibility in this regard.

[Kulchinskiy] What motives guided the way factions voted?

[Orobets] The "leftists" stood up for their position and their leaders, i.e., for Moroz and Tkachenko. MDG, The

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Independent, and Unity voted "for," counting on possible dividends from the Supreme Council leadership, and also because there was no constructive proposal with respect to replacing deputy chairmen of the Presidium with representatives of these factions. Rukh, Sovereignty, and Reforms voted "against," thereby emphasizing their opposition status.

[Kulchinskiy] Aleksandr Moroz was elected with a majority of just a few votes, and many observers assumed that with the by-elections of deputies, the opportunity would arise to replace him.

[Orobets] The question of Moroz's resignation is not a real issue. The necessary votes were not even gathered to bring this matter up for discussion. Whereas the replacement of Tkachenko was more realistic. But this opportunity was lost Friday.

The voting here amounts essentially to a crisis of the opposition, which failed to present a well-considered resistance or apply appropriate tactics. We see a crisis of opposition image. It is already quite clear that "against" slogans are not going to amass a great deal of votes.

It must be said that for certain issues—economic issues, for example, you can get a progressive majority of votes. As far as political strategy and responsibility for work results are concerned, it is entirely clear that the "centrist" factions (MDG, The Independent, Unity) are forming a bloc with the "leftists." It follows from this that the three factions—Communists, Socialists, and Agrarians, together with the "centrists," present a true majority in the Supreme Council. They are in accord with the present composition of the Presidium and are prepared to bear responsibility for its work.

Voting Results Respecting the Supreme Council Decree on the Report on the Presidium's Work

Faction	"For"	"Against"	"Abstain"	Not voting	Absent	Total number of deputies
Communists of Ukraine	80	-	-	2	7	89
Socialists	25	-	-	2	1	28
Agrarians of Ukraine	42	-	-	1	5	48
MDG	17	1	1	6	5	30
The Independent	25	-	-	1	3	28
Unity	21	2	2	2	4	31
Center	13	1	6	3	10	33
Reforms	1	24	1	2	8	36
Rukh	-	23	-	6	-	29
Sovereignty	2	15	4	6	2	29
Not in factions	-	3	1	6	5	21

Kuchma Law on Power Setback Analyzed

954K0576A Lvov POST-POSTUP in Ukrainian No 14, 14-20 Apr 95 p 1

[Article by Oleh Dorozhovets: "On the Scales of a Dilemma. President and Parliament Forced To Resort to Radical Measures"]

[FBIS Translated Text] **By initiating a swift review of his Law on Authority in Parliament on 12 April, President Kuchma confronted Parliament with a dilemma—whether Ukraine should go on living with a good tsar, or without a tsar in charge. The first takes place if the law is passed, the second does if it isn't. Kuchma prepared an exquisite revenge if the latter was the case—he would keep the government that is hateful to the Supreme Soviet in the rank of "acting." In neither case would the head of the executive branch end up looking foolish, but the tricky parliamentarians ruined the President's scheme by the only possible means: they got busy and picked the bill apart article by article. That gives them the power to gouge out all the stuffing prepared by the chefs in the administration's kitchen.**

The gutted Law on Authority becomes a boomerang whose sharp edge hits hardest at the President's office. In order to keep his powers for himself Kuchma could agree to merge the Cabinet of Ministers and the administration into a single executive structure, which would signal the decline of Dmytro Tabachnyk's star. But if the secret arrangement being whispered about in the corridors of the Supreme Soviet—the President will stop hounding the Presidium of the Supreme Soviet if Oleksandr Moroz pilots the bill through the shoals of Parliament, and will turn General Procurator Vladyslav Datsyuk over to the people's representatives for justice—it will turn out that Kuchma has paid dearly for his victory. And it will probably have bought worthless goods. For everyone is well aware that voting on each article will wreck the basic provisions of the Law on Authority.

Kuchma's sense of this danger is what caused his demarche in Parliament, when he took offense at Deputy Steshenko's speech and left the hall. Obviously this feeling was, again, inspired by Dmytro Tabachnyk, who, by saving himself, also was saving his boss from a trap that looked only superficially tempting and attractive.

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Now that Kuchma has burned some of the bridges he had just built over to the Parliament's side, chances for compromise with the legislative branch are shrinking like shagreen leather, and the President's team is again obliged to return to the no-longer-new idea of a national referendum concerning the authority issue. For 373 example, Presidential National Security Adviser Volodymyr Horbulin states that Kuchma will not agree to passage of the Law on Authority on an article-by-article basis. "The situation in Parliament is hopeless, and the President may move for a plebiscite or the passage of the Law by Constitutional Assembly," he says. Under the circumstances it looks as if the latter solution is the most acceptable to the President's team, since a general referendum would be an all-or-nothing game whose outcome is unpredictable. The time is past when Kuchma could count on the unconditional love of the people.

Tabachnyk Pessimistic About Law on Power

954F2183A Kiev NEZAVISIMOST in Russian 21 Apr 95 p 1

[Statement by Dmitriy Tabachnyk, head of the president's administration, under the rubric "Verbatim": "Head of the President's Administration, Dmitriy Tabachnyk: 'The Prospects for the Adoption of the Law on Power as an Integrated Document Look Extremely Doubtful'"]

[FBIS Translated Text] I think that the discussion of the Law on Power once again confirms, unfortunately, that constructivism has not yet begun to dominate in political thinking within the walls of the Supreme Soviet. It is very strange to watch when, for example, the provisions which even now operate in the Constitution are questioned and attempts are made to revise them. A great many such attempts have been made.

There is obvious—even heads of diplomatic missions mention this—and open manipulation of the review procedure going on. The Supreme Soviet Rules very clearly establish that the proposal of the conciliation commission, or of the group of deputies who worked on conciliating the draft if we are dealing with the second reading, is voted on first. Then, if it does not pass, the edition adopted in the first reading is voted upon. And only then does examination of the proposals of individual deputy groups and factions begin.

We have become witnesses to the presiding officer at Supreme Soviet sessions brilliantly ignoring procedure, constantly trying to emasculate this law. I think that the main objective which we are now seeing in the actions of parliament's leadership is to destroy the integrated text, the integrated model which, incidentally, was fine-tuned and approved by practically all of Ukraine's serious scientific legal institutions. Moreover, I can cite a whole number of examples where those provisions whose authors are deputies who are members of the conciliation commission are destroyed or attempts are made to destroy them.

There are a great many such examples. To illustrate, in the first edition the authors and developers envisioned the Cabinet of Ministers retaining legislative initiative. Certainly there are a very great many particular economic problems and issues which cannot be handled without this initiative. The deputies vigorously insisted: no, legislative initiative from the executive branch of power must be concentrated in one subject, the president. This change was agreed upon as a compromise. Afterward it provoked many hours of debate in the Supreme Soviet and several votes, and as a result...

So, and I repeat, what we see here is a desire to destroy this law and, the most important thing, an open attempt to drag things out. The point is that there was an opportunity, first, to adopt this law overall, and only then to seek ways to conform it to the constitution. Secondly, if certain articles are returned to the conciliation commission, there is a procedure for a repeat, second reading which is substantially shorter than the first. An attempt is being made to put all this on the back burner and delay the law until sometime in the fall. And the attitude of some representatives of leftist factions of parliament toward the work of their own colleagues who summarized more than 1,000 proposals looks especially bad and, in my opinion, unjustified and unethical.

If we carefully analyze who is speaking and who is making proposals, I think that it is obvious even with the naked and unbiased eye who is constantly given the floor. There are several inveterate orators who sometimes simply without any special correlation to the text try to express the same old stock ideological phrases. Even if they contradict the norms of the existing Constitution, whose strongest defenders the communist faction considers itself.

At present the prospects for the adoption of this law as an integrated document look quite doubtful. But, I think, we must certainly bring the examination to an end and afterward analyze what did not pass and take "inventory," as people say, and decide on a second reading or some additional work by the conciliation commission.

*Crimea Tatars Ask Repeal of Election Law

954F2165B Simferopol KRYMSKAYA PRAVDA in Russian 22 Apr 95 p 1

[Unattributed report: "National Movement of Crimea Tatars Statement"]

[FBIS Translated Text] The editors have received the text of a National Movement of Crimea Tatars [NDKT] statement which says, in particular, that the law "On Special Arrangements for Participation of Ukrainian Citizens From Among Crimean Deportees in Elections to Local Councils in the Autonomous Republic of Crimea," adopted in Kiev on 6 April 1995, unequivocally characterizes the official Ukrainian policy toward Crimea and the Crimean Tatar people as discriminatory. The very title of the law indicates that Ukraine does not

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consider the Crimean Tatar people a separate entity, since it speaks only of Ukrainian citizens deported from Crimea in 1941 and 1944.

In 1941 and 1944 not a single Ukrainian citizen was deported from Crimea, since at the time the Crimean ASSR was part of the Russian Federation. On the other hand, according to the terms of the Ukrainian law on citizenship, only those with permanent residence in Crimea before 11 November 1991 are considered Ukrainian citizens. That is, those Crimean Tatars who returned to their homeland after 11 November 1991 and for some reason did not obtain Ukrainian citizenship do not have the right to participate in elections of local council deputies. In other words, the greater part of the 230,000 Crimean Tatars who have returned to their homeland will not be able to participate in elections—and not only in the notorious additional but also in the main districts—for this reason alone.

The NDKT demands that this law be repealed as discriminatory and insulting to the honor and dignity of the Crimean Tatar people—the indigenous people of Crimea—and that the issue of adequate representation of Crimean Tatars in all structures of authority in Crimea be resolved.

*Ukraine Delegation in Crimea Briefing

954F2165A Simferopol KRYMSKIYE IZVESTIYA in Russian 22 Apr 95 p 1

[Report by L. Nikolayeva: "On the Agenda—the Crimean Situation"]

[FBIS Translated Text] A delegation of the Ukrainian Supreme Council headed by Yuriy Karmazin, chairman of the temporary commission on the appraisal of the political-legal situation in the Autonomous Republic of Crimea, has arrived in Simferopol. On Friday members of the Ukrainian deputy corps held a briefing at which they explained the purpose and the tasks of their stay in Crimea and outlined the Ukrainian Supreme Council's position with respect to the Crimean parliament and the crisis situation that has developed in the autonomy's legislative body.

The Ukrainian Supreme Council has prepared two drafts—two versions of a decision on the Crimean parliament—one of which envisages disbanding the current Crimean Supreme Council and scheduling new elections to this representative body; the second envisages disbanding the Supreme Council and transferring all governing functions to the Crimean Government. However, after the talks with Crimean deputies who, after a visit to Kiev, came up with proposals on reorganizing the work of the Crimean Supreme Council in conformance with Ukrainian laws and proclaimed it inexpedient to disband the Crimean Supreme Council, the Ukrainian Supreme Council adopted an appeal to the entire deputy corps of the Autonomous Republic of Crimea which says that "the activities of the Autonomous Republic of Crimea Supreme Council and the nature of the actions of its leadership after the adoption of the Ukrainian Supreme Council decisions dated 17 and 24 March 1995 with respect to bringing legislation regulating the status of the Autonomous Republic of Crimea into compliance with the president of Ukraine's decisions attest to a lack of constructive content and consistency in their work. On top of this, some of the Republic of Crimea Supreme Council's leadership have continued a propaganda campaign against bodies of state authority of Ukraine aimed at destabilizing the situation on the peninsula. The Ukrainian Supreme Council treats with understanding the desire of a considerable number of the Autonomous Republic of Crimea Supreme Council to distance themselves from such actions and organize fruitful work on dealing with the autonomy's current problems, and supports their intention to ensure legality in the activities of the autonomy's legislative body and preparation of the Autonomous Republic of Crimea Constitution in conformance with the Ukrainian Constitution and laws. The Ukrainian Supreme Council suggests that all deputies of the Autonomous Republic of Crimea Supreme Council define without delay their personal stand as to what extent they recognize and follow in their activities the Ukrainian Constitution and the Ukrainian Supreme Council decisions dated 17 and 24 March of this year."

The Ukrainian deputy delegation expressed the hope that Crimean parliament members will find the stamina to work in the legal environment of Ukraine, draft a new constitution, and move on to fruitful work for the benefit of all residents of Crimea.

The Ukrainian Supreme Council representatives also explained that they will study the questions of forming the Crimean budget, preparations for the summer season, and the state of affairs in combating crime. After a meeting with Republic of Crimea deputies and appraising the situation in the region, the delegation will report to the Ukrainian Supreme Council on the real state of affairs on the peninsula.

*Decree on Crimea Political Situation

954F2197A Simferopol KRYMSKIYE IZVESTIYA in Russian 28 Apr 95 p 1

[Decree of the Supreme Council of Crimea: "On the Political-Legal Situation in the Republic of Crimea"]

[FBIS Translated Text] Today the people of Crimea, like the people of Ukraine as well, are experiencing a transition period in their history. Practically all branches of industry and agriculture without exception and also public health, education, science, and culture are in a state of crisis.

In such a difficult time, the Republic of Crimea has a right to count on moral, political, and economic support from the people and leaders of Ukraine, understanding of the problems facing the republic, and development of its authority and rights to self-government.

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On 20 January 1991 in an all-Crimean referendum, the people of Crimea voted in favor of restoring the Crimean Autonomous Soviet Socialist Republic as a component of the USSR and a party to the Union Treaty, striving thus to have the right to determine their own future independently in the event of a change in the state-legal status of Ukraine, which was a part of the USSR. In spite of the expression of the will of the people of Crimea, Ukraine, in violation of the USSR law "On the Procedure for Resolving Problems Related to the Withdrawal of a Union Republic from the USSR" of 3 April 1990, which was in force at the time, on 1 December 1991 held a referendum on its independence, depriving Crimea of the right granted to it by Article 3 of this law, to decide independently the issue of withdrawing from the USSR.

After Ukraine gained its independence, there began a process of restriction of the authority of the Republic of Crimea and expansion of the authority of the high organs of power of Ukraine, which intensified especially after the people of Crimea spoke out in support of pro-Russian forces—the president and Supreme Council of Crimea.

From 1994 through March 1995, a number of legislative and normative acts were adopted, on the basis of which the police, the Security Service, and the Ministry of Justice were removed from republic jurisdiction and the resolution of disputed issues concerning property was forced, with its redistribution in favor of Ukraine.

According to the law of Ukraine "On Making Changes and Additions to the Constitution (Basic Law) of Ukraine," of 21 September 1994, No. 171/94-VR, making changes to points 21-1 and 31 of the third part of Article 97 of the Constitution of Ukraine, the Supreme Council of Ukraine appropriated to itself the right to terminate the authority of the Supreme Council of Crimea early and to invalidate and revoke legal acts of the Supreme Council of Crimea in the event that they violate the Constitution and laws of Ukraine or do not correspond to them.

The law of Ukraine "On Revoking the Constitution and Certain Laws of the Autonomous Republic of Crimea," of 17 March 1995, No. 92/95-VR, abolished the Constitution of the Republic of Crimea of 6 May 1992, No. 76/a-1 and the laws of the Republic of Crimea "On Elections of the President of the Republic of Crimea," of 17 September 1993, No. 380-1; "On the President of the Republic of Crimea," of 14 October 1993, No. 428-1; and "On Restoration of the Constitutional Foundations of the Statehood of the Republic of Crimea," of 20 May 1994, No. 32-1.

The law of Ukraine "On the Autonomous Republic of Crimea," No. 95/95-VR, was adopted on 17 March 1995. The decree of the Supreme Council of Ukraine "On the Procedure for Enacting the Law of Ukraine 'On the Autonomous Republic of Crimea,'" invalidated the laws of Ukraine "On the Status of the Autonomous Republic of Crimea" of 29 April 1992, No. 2299-XII and "On Division of Authority Among the Organs of State Power of Ukraine and the Republic of Crimea" of 30 June 1992.

On 31 March 1995 the president of Ukraine issued the edict "On Several Questions of Interrelations Among Central Organs of the State Executive Power and Organs of Executive Power of the Autonomous Republic of Crimea," No. 278/95.

The aforementioned legislative and normative acts violated generally recognized norms of international law and legislation of Ukraine itself and actually eliminated the statehood of the Republic of Crimea.

Thus, by appropriating to itself the right to abolish legal acts of the Supreme Council of Crimea, the Supreme Council of Ukraine interpreted this norm as allowing the abolition of even the Constitution of the Republic of Crimea. The law of Ukraine "On the Abolition of the Constitution and Several Laws of the Autonomous Republic of Crimea" of 17 March 1995, No. 92/95-VR, effected such an abolition. But in the strictly legal sense the provisions of Article 97 of the Constitution of Ukraine in its current redaction do not apply to the Republic of Crimea.

Thus, from a legal standpoint, the actions of the parliament of Ukraine contradict its own Constitution and, consequently, are illegal and have no legal force.

If in the opinion of the Ukrainian parliament the Constitution of the Republic of Crimea in some way contradicts the Basic Law of Ukraine, then, according to legislation of Ukraine, it must apply to the Constitutional Court of Ukraine, which has jurisdiction over such issues.

In spite of the requirements of the laws of Ukraine "On the Status of the Autonomous Republic of Crimea" of 29 April 1992 and "On Division of Authority Between Organs of Executive Power of Ukraine and the Republic of Crimea" of 30 June 1992, which establish that the amount of authority of the Republic of Crimea cannot be changed without the consent of higher legislative organs of Ukraine and the Republic of Crimea (Articles 13 and 15), the Supreme Council of Ukraine, which is obliged to be the guarantor of the legal status of the Republic of Crimea by the law "On the Autonomous Republic of Crimea" of 17 March 1995, determined the legal status of Crimea unilaterally and in an extremely contradictory way. On the one hand, the name "Autonomous Republic of Crimea" was preserved, but on the other, was declared not a state (political) but an administrative-territorial autonomous entity (Article 1). The given law of the Republic of Crimea prescribes a system of organs of legislative and executive power that does not envision the institution of the presidency in the Republic of Crimea. That is, the parliament of Ukraine abolished this institution envisioned by the Constitution of the Republic of Crimea, even though the post of president is held by an individual elected by the population of

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Crimea according to Article 122 of the Constitution of the Republic of Crimea. Thus, they ignored the will of the people of Crimea as expressed by means of the elections of the president of the Republic of Crimea and the right of the republic as an autonomous state to determine the system of its higher organs of power. The Constitution of Ukraine does not contain provisions to the effect that the organs of power of Ukraine have the right to decide whether Crimea should have the institution of the presidency or not. Consequently, by abolishing this post, the parliament of Ukraine exceeded its authority.

The Constitution of Ukraine (Article 75-1) and the law of Ukraine of 17 March 1995 "On the Autonomous Republic of Crimea" recognize Crimea's special status as a part of Ukraine. But, as was already noted, these acts do not contain a direct recognition of the Republic of Crimea as a state of Ukraine (this is done only in Article 1 of the Constitution of the Republic of Crimea). The definition in the Constitution of Ukraine of the Republic of Crimea as a administrative-territorial unit of Ukraine (Part 1 of Article 77) means a denial of Crimea's status as a state. But the republic is a state with a republican form of rule. It cannot be regarded as an administrative unit.

Modern international law makes it incumbent on each state to observe generally recognized principles and norms and also the commitments it has taken upon itself. Such principles and norms are contained in the UN Charter, the Universal Human Rights Declaration, the human rights pacts, and a number of other international documents. The primacy of the norms contained in them over the laws of each does not depend on the position of the state itself. As is emphasized in the Document of the Moscow meeting-conference on the human dimension of the CSCE, questions pertaining to human rights, the basic freedoms, democracy, and the supremacy of the law are of an international nature, since observance of these rights and freedoms constitutes one of the foundations of international order. Norms of international law not only make it incumbent on the states to provide for the basic rights and freedoms of the human being and the citizen as documented in international agreements but also grant the right to other members of the international community to demand of each state the fulfillment of its international obligations. And these demands may be the subject of investigation both by interested states and at the universal (UN) and regional (Organization for Security and Cooperation in Europe]) levels.

The elections of the president and Supreme Council of Ukraine were the result of the exercise by residents of Crimea who are citizens of Ukraine of the political right envisioned by Article 21 of the Universal Human Rights Declaration to participate in the administration of the country directly or through freely elected representatives. The results of these elections were not mentioned as illegal. The annulment of the results of the expression of the will of the citizens through the elimination of the institution of the presidency in the Republic of Crimea violates this right. In compliance with point 7.9 of the Document of the Copenhagen meeting-conference on the human dimension of the CSCE, the participating states shall make sure the "candidates who have received the necessary number of votes as determined by law shall properly enter the position and remain in the position until the expiration of the term of office or the period is ended in some other way that is regulated by the law in compliance with democratic parliament and constitutional procedures."

The law of Ukraine "On the Abolition of the Constitution and Several Laws of the Autonomous Republic of Crimea" of 17 March 1995 does not comply with generally recognized international principles and norms or the international obligations of Ukraine either.

According to the Universal Human Rights Declaration (Article 21) and the Pact on Civil and Political Rights (Article 25), each individual shall have the right to participate in the conduct of state affairs both directly and through freely elected representatives, to vote and be elected in genuine periodic elections held on the basis of universal suffrage with secret voting. "The will of the people," it is emphasized in point 3 of Article 21 of the Universal Declaration, "is the basic power of the Government." These provisions of the Universal Declaration and the Pact on Civil and Political Rights were confirmed and elaborated in many documents adopted within the framework of the Organization for Security and Cooperation in Europe (OSCE). Thus, in the Document of the Copenhagen meeting-conference on the human dimension of the OSCE, the participating states confirmed that the will of the people as expressed freely and honestly during the course of periodic and genuine elections is the main power and legality of any government. The participating states correspondingly respect the right of their citizens to participate in the management of the country directly or through representatives elected by them freely during the course of the honest electoral process (point 6). The law of Ukraine of 17 March 1995, which mentioned the Constitution and the laws of the Republic of Crimea "On Elections of the President of the Republic of Crimea" and "On the President of the Republic of Crimea," actually emphasized the will of the voters of our republic. Moreover, the law of Ukraine "On the Autonomous Republic of Crimea" envisions the possibility of early termination of the authority of the Supreme Council of Crimea, again without accounting for the will of the people.

Point 35 of the Document of the Copenhagen meeting-conference on the human dimension of the CSCE envisions the creation of the proper local or autonomous administrative organs that correspond to specific historical and territorial conditions of minorities residing there. Ukraine's actions undoubtedly violate the authority granted by destroying the existing structure of administration of national minorities.

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Thus, the measures undertaken by the leaders of Ukraine with respect to Crimea do not comply with international law, Ukraine's obligations under the acts of the OSCE, or the standards of democracy and justice, either.

The UN charter makes it incumbent on the states to respect human rights and freedoms. According to the Universal Human Rights Declaration, in human rights there should be no distinctions on the basis of the legal status of the territory to which an individual belongs (Article 2). The international pact on civil and political rights makes it incumbent on the states to adopt legislative and other measures which may be necessary for the exercise of the rights recognized by the pact (Article 2.2). The measures taken with respect to Crimea go in the other direction. They also contradict Ukraine's obligations under the OSCE documents, above all the general foundations of democracy which are mentioned in the Declaration of the Helsinki Summit Meeting (1992). It emphasizes the significance of the principle according to which "the obligations made in the area of the human dimension of the CSCE are of direct and legal interest to all participating states and are not the exclusively domestic concern of any one state (point 8).

It is also a violation of international law to encroach on the rights of the Russian population in Crimea, who are a national minority in Ukraine, and the citizens of other nationalities that recognize the Russian language and Russian culture as native, to self-determination in their chosen form: the Republic of Crimea as a part of Ukraine.

The abolition of the Constitution of the Republic of Crimea, in addition to other consequences, means the revocation of the constitutional guarantees in the area of culture of the use of the native language for the population of Crimea, a considerable part of whom are a national minority in Ukraine. This legal situation could make it difficult to exercise the right to take advantage of their culture, to confess their religion, to perform its rituals, and also to use the native language, which is established by Article 27 of the International Pact on Civil and Political Rights of Ethnic, Religious, and Linguistic Minorities.

Article 1 of the Declaration of Rights of Individuals Belonging to National or Ethnic, Religious or Linguistic Minorities, adopted by the UN General Assembly on 18 December 1992, in compliance with the provisions of Article 27 of the International Pact on Civil and Political Rights, establishes the basic obligations of the state, in this case Ukraine, on whose territory national minorities reside.

1. The states shall protect on their corresponding territories the existence and unique character of national ethnic, cultural, religious, and linguistic minorities and encourage the creation of conditions for the development of this unique character.
2. The states shall adopt the proper legislative and other measures to achieve these ends.

By not only failing to adopt the necessary measures but also abolishing the acts that existed up until recently which preserve and maintain the unique character of the population of Crimea, Ukraine is depriving it of the opportunity, as is required by Article 2 of the aforementioned Declaration, to participate actively in cultural, religious, social, economic, and state life. This was manifested in the abolition of the Constitution of the Republic of Crimea that was developed by Crimeans and also the direct subordination of the Government of Crimea to the Cabinet of Ministers of Ukraine.

Ukraine's actions stand in direct contradiction to the obligations of members of the OSCE as set out in the Summary Document of the Vienna Meeting of Representatives of States Participating in the OSCE. It is stated in this document that the states shall take all necessary legislative, legal, and other measures and also apply international instruments they may share in common in order to provide for protection of human rights and the basic freedoms of individuals belonging to national minorities on their territories. They shall refrain from any discrimination regarding these individuals and contribute to the realization of their legitimate interests and aspirations in the area of human rights and basic freedoms. Since, in compliance with Article 27 of the International Pact on Civil and Political Rights of National Minorities and Individuals Belonging to Minorities, they must not be denied the right to enjoy their culture or other national assets along with representatives of the same nationality, it is impossible to regard as legal the violation of the territorial integrity, manifested in the separation of the city of Sevastopol, which according to the law of Ukraine "On the Autonomous Republic of Crimea" of 17 March 1995 has now become an administrative-territorial unit under general state jurisdiction and not a part of the Autonomous Republic of Crimea and its status determined by the laws of Ukraine.

Thus, the Russian population densely populating Crimea have ended up separated, which is an inadmissible violation of the rights of a national minority, since it deprives them of the opportunity to express their interests in one organ of state power. As a result, the authority granted to the Republic of Crimea in questions of ethnic relations by the law of Ukraine "On the Autonomous Republic of Crimea" of 17 March 1995 largely loses its significance.

The invalidation of the Constitution of the Republic of Crimea and the abolition of some of the state organs of the republic—an autonomous formation in which the majority of the population are Russian, a national minority of Ukraine—is a violation of the right to self-determination. An especially gross violation of the rights of the people of Crimea is the subordination of the Government of Crimea directly to the Cabinet of Ministers of Ukraine.

The revocation of the Constitution of Crimea means, additionally, the loss of the constitutional norm

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according to which free development and mutual enrichment of the cultures of all nationalities are guaranteed in the republic and various possibilities and favorable conditions are provided for the preservation and development of spiritual life, languages, traditions, and customs of all peoples and national minorities (Article 48).

The actions of the Supreme Council and the president of Ukraine violate Article 10 of the law of Ukraine "On National Minorities in Ukraine" of 25 June 1992, No. 2494-XII by disturbing the living environment of the Russian minority on the territory of Crimea. Article 10 of this law says: "The state shall guarantee national minorities the right to protect their living environment in the places of their historical and current settlement."

By suspending the activity of the consular group of the Ministry of Foreign Affairs of Russia on the territory of Crimea, which helped residents of the republic to obtain Russian citizenship, work that was regarded as an encroachment on the rights of Ukraine, the authorities of Ukraine are actually violating Articles 11 and 18 of the law "On National Minorities in Ukraine." Article 11 in particular envisions that citizens of Ukraine shall have the right to freely select and restore their nationality. Forcing citizens in any way to reject their nationality is not allowed.

According to Article 18 of this same law of Ukraine, any kind of direct or indirect restriction of the rights and freedoms of citizens because of nationality is prohibited and punishable under the law.

The actions of the Ukrainian authorities with respect to the consular group of the Russian Ministry of Foreign Affairs in Crimea violate the norm of Article 3 of the UN Declaration of 18 December 1992, according to which individuals belonging to minorities, in this case Russian, residing in Crimea shall have the right to establish and maintain without any discrimination contacts across borders with citizens of other countries to whom they are connected by national, ethnic, religious, and linguistic bonds.

Ukraine's actions violate such fundamental acts in the sphere of human rights as the Concluding Act of the CSCE (the section entitled "Areas and Forms of Cooperation" and also the document of the Copenhagen meeting-conference on the human dimension of the CSCE.

The Supreme Council of Ukraine, by abolishing the Constitution of the Republic of Crimea, adopted by the Supreme Council of Crimea on 6 May 1992, violated the right of the people of Crimea, the majority of whom are Russian, to self-government.

Attempts on the part of the Supreme Council of Crimea to resolve the problems arising with the Supreme Council of Ukraine and the president of Ukraine in the spirit of compliance with the laws of Ukraine and respect for the rights of the Republic of Crimea and generally recognized norms of international law at this stage did not meet with understanding.

The commitments made in the area of the human dimension of the CSCE are not the exclusively internal affair of any one state. This principle is the normative basis for the expression of Russia's legitimate interest in events related to Crimea.

Thus, the legislative and normative acts of 17 and 31 March adopted by the Supreme Council of Ukraine and the president of Ukraine in violation of the Constitution of Ukraine, its laws, and generally recognized norms of international law are illegal and cannot have legal force on the territory of Crimea.

For purposes of a civilized resolution to the conflict that has arisen, the Supreme Council of Crimea considers it necessary to continue the negotiation process with the Supreme Council of Ukraine concerning restoration of the violated rights of the Republic of Crimea.

Having analyzed the resolutions of the high organs of state power of Ukraine adopted on 17 and 31 March 195 with respect to the Republic of Crimea, the Supreme Council of Crimea

decrees:

1. A proposal shall be made to the Supreme Council of Ukraine and the president of Ukraine to reconsider the decisions pertaining to the Republic of Crimea adopted on 17 and 31 March 1995 and to bring them into compliance with Ukraine's international commitments and the principles and norms of international law.
2. The State Duma of the Federal Assembly of the Russian Federation and the president of the Russian Federation shall be requested, in keeping with their international obligations, to take measures to protect the rights of their compatriots residing on the territory of the Republic of Crimea who are a national minority in the state of Ukraine.

[Signed] Chairman of the Supreme Council of Crimea S. Tsekov
Simferopol,
20 April 1995
No. 422-1

Economic Issues

*Tax Inspectors Seen Choking Local Economy

954K0570A Lvov ZA VILNU UKRAYINU in Ukrainian 13 Apr 95 p 1

[Article by Yevheniya Romaniv under the rubric "Economic Commentary": "The Market-Economy Law: If the Tax Service Is the Leader Production Lags Behind"]

[FBIS Translated Text] Why is it so, that virtually all candidates for people's deputies promised in their electoral programs to champion the liberalization of the tax system, and, as a result, voted for the new Law on Taxing the Profits of Enterprises which, as specialists maintain, puts an end to the existence of a legal Ukrainian

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economy? Where did they get the notion that the higher the tax rate the more money the state would raise for its deficit-ridden budget? If the experience of the world is no guide to us let us examine our own experience gained in recent years while performing economic operations in the environment of a market economy: The further the noose is tightened the fewer people are willing to stick their heads in it. We learned the following number from the last report of our president: The state collects 40 percent of the taxes; the rest remains in the twilight zone. How could it be otherwise if one has to surrender 82 kopeks from each karbovanets earned? One gets the impression that the few remaining profitable production activities are the ones which the ruinous arm of the tax inspector has not yet reached.

I read in a local newspaper an article by Oleh Volynskyy, the chief of the State Tax Inspectorate for Lvov Oblast, entitled "One, Two, Three, Four, Five—Who Cannot Count?" Let us be forgiving as far as the headline is concerned. I guess these are the "pearls" of the editorial office. Let us look at the text: "...in 1994, the revenuers ensured the raising of almost 20 trillion karbovantsy for the budget and off-budget funds. All projected tax indicators were substantially overfulfilled. The Lvov area accounts for more than 5 percent of the total volume of proceeds from all income in Ukraine which makes our oblast the sixth in the state; in certain areas, it ranks second or third."

For some reason, I immediately recalled a joke about a funeral home which set for itself the goal of overfulfilling its annual plan by 20 percent, although the consequences in this instance are somewhat different. However, what does it mean to "substantially overfulfill all projected tax indicators?" Certainly, the tax inspectorate had planned for the economy of the oblast to achieve specific results whereas we actually worked considerably better, generating more profits and, therefore, greater withholdings for the budget. This is what gave the revenuers an opportunity to "overfulfill all indicators."

However, according to statistical data we did not win any labor victories in 1994 but instead were set back quite a bit. Logically, it should be otherwise: Less tax should be collected.

We, the journalists, are not so slow-witted as to fail to guess why a good face is being put on a bad situation. Obviously, the revenuers stepped up their auditing activities and identified more concealed shadow-economy profits than had been expected. Indeed, as a number of examples given by Mr. Volynskyy indicate (the Plus Ultra Investment Inc. corporation and the Heruk Ltd. joint venture), tax inspectors revealed major violations and collected respectable amounts for the budget. A simple "thank you" is not enough for such a job because it is no secret that by picking a fight with the shadow economy the revenuers are even putting their lives at risk.

However, here are other examples. A company paid, on behalf of its employees, downpayments for housing to be built and was late transferring to the budget the tax due, in this case—150.2 million karbovantsy. For this, the company was assessed by the budget for the above amount "plus" 1,108 million karbovantsy in penalties. Of course, ignorance of the law does not release one from liability for failing to comply with it, and we are not defending the violator. However, let us compare the fault and the punishment, and they are nowhere close to commensurate. One more point: The director and the accountant neglected to comply with the law whereas the penalty was deducted from the profits of the company; therefore, the entire collective was punished. In many cases, this means just one thing: Kiss the company, the business, or the enterprise good-bye! Or take this: A farmer was negligent in "accounting for his operation and making all envisioned payments." For this, he was assessed 45 million karbovantsy (in September, to boot!). We do not yet have peasants who can get on their feet after that or have any desire to go on working. So, are we to kiss owner-operated farms goodbye, too? This is why the ranks of farmers, not too strong to begin with, are not growing any stronger.

We are not calling on the revenuers to turn a blind eye to violations. They are not to blame for the law being so cruel. However, on occasion disputed cases emerge in which one can be more liberal even without bending the proclaimed principles. For example, this is what happened in the following case. A store sold a computer. Two weeks later, it came out that the computer had hidden manufacturing defects which could not be repaired. The female buyer was in tears: Her husband had left her, her daughter had died, and she was rearing a disabled bed-ridden son. The computer was the greatest joy in his life. However, the woman would have never been able to save up 6 million karbovantsy for a new computer. The store manager decided to issue a new computer to the woman, to have the one that had broken down stripped for spare parts, and to enter the loss as costs incurred by his enterprise. A few months later, the tax inspectorate descended and a long dispute began: How come the losses were not charged against profits but rather as an expense? Here are new regulations which in this case back us up, explained the salespeople. However, the captious revenuers picked on the date: The operation took place on 31 December whereas the new regulations were in effect since 1 January.

Fine, said the store manager, say, a person committed a crime for which the death penalty was envisioned. However, while the case was under investigation, capital punishment was repealed. So, should the person be executed because he committed a transgression at a time when there still was a death penalty? Perhaps not, indicated the revenuers, the criminal should be tried under the current law. So, try us like that, under the current regulations, demanded the store manager. It took two weeks for the zealous guardians of the tax system to agree to that.

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Or else, there was this curious case: The shelf life of imported chocolate had expired. Of course, under a write-off protocol the losses were charged to the expenses of the store. In turn, the tax inspectorate demanded that they be charged against profits. What were the arguments? The tax inspectorate did not believe that the salespeople had destroyed the chocolate, and since they had eaten the chocolate they had to pay for it out of pocket. Arguments? The store manager admitted honestly that yes, they had a feast together because what idiot would throw chocolate into a toilet bowl? As it were, if it could be eaten on the 23d of the month why could it not on the 24th? It was forbidden to sell it but not to eat it. Once again, there was a two-week dispute in order to prove the obvious. It was good that the store manager in question, Bohdan Horchynskyy, who got caught in these tax misadventures, is a knowledgeable and persistent person. He even likes to collect his victories over the absurd. Others either do not know the laws well or do not want to shatter their nerves since they do not pay taxes out of their own pockets.

As far as the national records of the Lvov revenuers who rank second-third and sixth in Ukraine in tax collection are concerned, we will quote other statistics especially for their benefit. The Lvov area also ranks second to sixth in the state, except from the end, on a number of the most important indicators of economic management. We see a direct cause-and-effect connection here: The better the tax inspectorate works the worse the production facility it visited operates. This is not a rebuke to the revenuers; they are merely doing their duty. This is a rebuke to the legislators and the local authorities which have already gone too far. As Yevhen Zhovtyak, the chairman of the Supreme Council subcommission for tax policy issues, stated, in the first quarter virtually no revenue by virtue of the tax on the profit of enterprises was collected for the budget. The Supreme Council is already prepared to suspend certain provisions of the Law on Profits and at least reschedule the payment of the ruinous penalty to a later date if not cancel it. In this case, the oblast tax inspectorate will have to revise its record-breaking reports substantially.

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Belarus

*Lukashenko Scored for Dictatorial Tendencies

954F2172A Moscow KOMSOMOLSKAYA PRAVDA in Russian 25 Apr 95 p 2

[Article by Nikolay Yefimovich under the rubric "Specifics: Facts and Commentary": "A Son of the Belarusian People Has Become Their Father: They Are Not Offended With Pater, His Ratings Fell and He Started Thinking of a Referendum"]

[FBIS Translated Text] On the eve of its demise, the republic's Supreme Soviet elected back in Soviet times fulfilled the beloved dream of President Lukashenko. It voted to hold a referendum this May on giving Russian the status of state language on an equal basis with Belarusian, on a union with Russia, and on changing the state symbols.

Lukashenko has never concealed that he regrets the dissolution of the Soviet Union and has no objection to turning time back. Merely to please the president, the people's deputies went even further. And declared 7 November an all-people's Red holiday.

Even a few days ago they were not so compliant, but they were given a little scare. At first the president threatened to disband the parliament. Then members of OMON [Special Purpose Militsia Detachment] beat up the opposition deputies who had organized a hunger strike as a sign of protest against the approaching referendum, right in the Supreme Soviet building.

In addition, it became known that "pater," as Lukashenko called himself, was quite favorably inclined toward the deputies' request to be given jobs in the presidential structures. Consequently, the people's elected did not even begin to investigate the details of the OMON beatings of their colleagues and of people who came to the parliament building in the morning, where the militsia tore state (!) flags from their hands. Instead, the parliamentarians hurried to a banquet arranged in their honor by a grateful president.

Meanwhile, the editors in chief of almost all the major newspapers were removed from their posts. And those who are still in place are not certain that they will not suffer their colleagues' fate tomorrow. People say that Lukashenko himself reads almost all the newspapers. And he announced that he would not permit the mass information media to receive money from the state and sling "mud" at it. Those who write the way the "pater" wants them to were promised material support. According to many journalists, political censorship has essentially been introduced: newspaper articles are being withdrawn and cut up and radio and television broadcasts are being prohibited. There are only a few remaining private newspapers, existing on the money of businessmen; they are trying to provide an objective picture of presidential rule. But they must be printed in other cities of the republic.

To the profound disappointment of many voters who voted for the former chairman of the commission on the struggle against corruption, the first thing he did was to begin establishing a dictatorship of personal power. It is not without reason that there are a considerable number of former military and "KGB-ers" in his circle. Either Lukashenko has confused the republic with his former sovkhoz, where at the wave of his hand he could drive out a milkmaid who had made a mistake, or he simply decided that since the people had elected him, he could do anything he wanted.

The president of Belarusia has made the power structures his chief favorites. They are the Ministry of Internal Affairs, the KGB, and the army. They are the ones who had their pay raised first. And the president's Administration of Affairs is becoming the largest owner of real estate in the republic. The buildings of ministries and hotels, telegraph offices, elite nomenklatura dachas and private dwellings, and nature preserves are being transferred to its jurisdiction. People say that even the chairs which the judges of the republic's Constitutional Court sit on belong to the president's main "zavkhoz" [chief of administration].

The only thing is that success is not yet apparent in the economy, which has one foot in the grave. The former army deputy political officer, nourished on the administrative-command system, regards the market with profound suspicion. It is no accident that his social support came from the old nomenklatura, who sensed one of "their own" in him, and then the poor population, who hate any rich person. Privatization has in fact been suspended. The activity of investment funds has been prohibited: supposedly certain violations were discovered there. Generally the president's favorite topic is all kinds of checks and control over everyone and everything. An enormous controlling state apparat is being created for this purpose.

The referendum announced for May in place of elections to the new parliament is for Lukashenko the last opportunity to raise his rapidly falling ratings. Especially among those people who are inclined toward a union with Russia and to a return to the former state symbols. But will a referendum cool the passions which have flared up in the republic? Most likely just the opposite. Last year during the celebration of Belarusia's liberation from the German fascist occupiers, veterans marched in two columns under different flags. And it reached the point of skirmishes. Even people's writer of the republic Vasil Bykov, who marched under the white-and-red flag, was unable to lay flowers at the Eternal Flame. And now veterans are preparing in different ways for the celebration of the 50th Anniversary of the Victory. The opposition has not only not disappeared; on the contrary, it has been heated up by the coming referendum. Bitter debates are flaring up at almost every table and in practically every collective over bilingualism, union with Russia, and under what flag to live in the future. The national intelligentsia is writing letters in defense of the native language.

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Some local experts consider the forthcoming population poll as a political weapon of mass destruction. Whereas formerly most of the population remained outside the debate on independence, thinking more of their daily bread, by May they will certainly be drawn into the political game. And then a state of emergency may have to be declared, as analysts from the presidential structures are predicting.

But this merely serves the purposes of the current president in his desire to concentrate all power under his command. And meanwhile, according to an unwritten rule "from above," associates of the law enforcement organs and special services and employees of the president's administration are being nominated for deputy in almost every district. Even the chairman of the KGB himself is running for parliament. Very strict rules on the pre-election campaign have been introduced by presidential edicts. Other than a tiny sum allocated by the state, they prohibit other capital from being used. And the campaign itself will be put under the strict control of the executive branch of power. Candidates may use only the local information media like rayon newspapers. Channel 8 of Minsk Cable Television is shut down altogether: its equipment was sent away for several months for preventive maintenance. Overall, everything possible is being done to ensure that the future parliament remains the president's "own." And if that does not happen, it can simply be disbanded. It is no accident that one of the questions on the referendum is a request to the people to give their "okay" to do this.

There is only one thing we cannot understand. When the president finally usurps power in the republic and establishes his own cult, where will he look to find those to blame for the people's troubles? For this is his favorite occupation. It is no accident that the budget of the republic KGB for this year matches all the outlays needed for the activities of the government, the Supreme Soviet, the procurator's office, and the president's administration taken together, according to certain information.

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Armenia

*Prime Minister Reviews Energy, Economic Situation

954F2181A Yerevan RESPUBLIKA ARMENIYA in Russian 26 Apr 95 p 1

[Article by Ashot Aramyan: "Exclusive—June Daydreams, or an AES Without a Sarcophagus"]

[FBIS Translated Text] Many questions were asked regarding the nuclear power station during a working visit by Grant Bagratyan, prime minister of the Republic of Armenia, to the zone of the disaster that occurred at the end of last week and in meetings with activs and work collectives of Gyumri, Spitak, and Vanadzor. The following picture is sketched from the answers given by the head of the government.

The second startup of a mothballed AES [nuclear power station] is a unique case in world practice. The enormous, painstaking work was completed at the cost of incredible efforts by the small republic (a total of 20 specialists from the Russian Federation visited the station during the year): In fact, the station was taken apart "down to the last screw" and reassembled again.

The AAES [Armenian AES] was reconstructed on an order of magnitude higher than the former one. For example, modern West German electronics were set up at the station that will implement year-round anticorrosion control over pipes. Nevertheless, the Armenian AES remains a station of the old generation. In particular, a shortcoming is the absence of a sarcophagus; therefore, in the event of an emergency, radioactive waste could be hurled right into the atmosphere. Thus, the main problem of the second startup of the AAES remains its safety guarantee.

In the words of the prime minister, the station will be started up within 45-50 days—in the middle of June. However, after this the station will be working only "for itself" for another 15-20 days; careful observations of its "behavior" will be carried out in this period, and if just one standard is not met, the station will be closed down again, despite the $70 million expended on its "reanimation." The probability of this, however, is extremely small, so it is most likely that electric power from the AES will be in the network by the end of the first summer month.

G. Bagratyan confirmed once more that with the AES's start-up, people will receive up to 10-12 hours of electric power a day. "But continuing nonpayments on the part of the people will then be extremely dangerous and could create a critical situation at the station—and trifling with the station is impermissible," he added.

The Price of Bread Can Reach 100 Drams

Armen Yegiazaryan, minister of economics of the Republic of Armenia, confirmed in an exclusive interview with a correspondent of RESPUBLIKA ARMENIYA the fact of the impending issuance of prices for bread. According to ministry forecasts, the price of bread in the summer will not be more than 100 drams, which will fully cover its cost.

The minister also added that although the government has no intention now to change the rates for electric power, it is however not ruled out that with the startup of the AES, an adjustment will be made in the direction of an increase in these prices. A. Yegiazaryan explained that the increase in the last few days over the schedule of the supply of light to the population of the capital of the republic was due to the high frequency of the current being generated—up to 51 hertz—which is just as undesirable as the previously inadequate 43-44 hertz. In other words, power engineers are simply compelled to release the light surplus to the population.

As for the problem of the population's nonpayments for electric power consumed, Mr. Yegiazaryan thinks that a mechanism has been found for the collection of debts. All local Armenegro power networks have acquired legal independence, they have become taxpayers, and they have the right to conclude contracts with consumers, which should activate the settlement of debts.

Modest Attraction of Indexation

In the words of Prime Minister G. Bagratyan, the expectations of the population in connection with the indexation of their deposits in the Savings Bank are too high. Because of the absence of stipulated resources for this, there can be no question of indexation, for example, in the ratio of 10 rubles to $1. It is true that henceforth 15 percent of the resources gained from the privatization of state property will be applied to indexation; however, this sum is not as substantial as it seems at first glance. Fifty or 100 additional drams do not resolve the problem by far.

To the New Year—with a Bulging Purse

The size of the minimum wage in the republic is now 475 drams. In the words of the head of government, it will be 535-540 in July of this year, and at the end of the year—860. G. Bagratyan observed that owing to the low level in the standard of living, it was possible to stabilize the state of affairs in the economy. Now is the right time to think strictly about the people. In particular, a sharp increase will occur in the wage level in budget organizations starting 1 January next year.

The Year 2002: "And We Have Gas in the Apartment"

Grant Bagratyan, head of the government of the republic, completely rejected this possibility in reply to an exclusive question of a RESPUBLIKA ARMENIYA correspondent regarding the supply of gas to the population. The government knows about the people's current low payment capabilities, and therefore it makes no sense to provide gas to people—1,000 cubic meters of which, incidentally, costs $80—when one is certain beforehand that they are not in a position to pay for it.

The problem is aggravated by the necessity of installing a gas meter in each apartment—this is an extremely costly program that will require up to $500 million.

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In the words of the prime minister, people must orient themselves in the near future on bottled liquid gas. It will be possible to talk about the renewal of supplies of natural gas to the population through a pipeline system in approximately seven years, when the level of income of the population will correspond to prices for this type of fuel. Now, in the event a sufficient supply of the blue fuel arrives in the republic, in the words of the prime minister, it will be advisable to allot it to chemical plants.

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Regional Affairs

*Baltic Countries' Efforts Toward EU Entry Aired

954K0563A Helsinki HELSINGIN SANOMAT in Finnish 28 Mar 95 p D 1

[Article by Renny Jokelin and Pilvikki Kause: "Baltics Aiming West: Estonia, Latvia and Lithuania Clearing the Way into the European Union"]

[FBIS Translated Text] Ever since the return of independence and after shedding the shackles of the East, the Balts have hurried towards the West without sparing any effort or considering the price. Within the last few years, Estonia, Latvia and Lithuania have signed free trade agreements with the Nordic countries and the European Union, as well as a treaty of cooperation with the western military alliance, NATO. The three countries are eagerly pushing to join the EU.

The road leading to the Union is going to be long and difficult for the Baltic countries, although there is an inclination within the EU to treat the three small nations more leniently than some other candidates. The free trade agreements were quickly signed last year and in December the EU promised the Balts a rapid move towards closer economic and political relations.

The Baltic troika has approached the west together and separately. Now when the road is opening up, the countries seem to be forgetting their feeling of solidarity towards each other. For example, their economic relations have progressed at a cumbersome pace. It is known among the Baltic States that Estonia is more prepared for membership than the others. Estonia also has a more burning desire to join the EU and NATO.

The cooperation among the countries has also been strained by the fact that the countries have had a strong need to prove to the west that they can also manage on their own.

The EU wants the trio to create among themselves a customs union as a first step towards EU-membership. Increasing trade among the countries has been hampered by the similarity of their manufacturings. There is not much they can buy from each other. During the Soviet regime, enormous factories serving the needs of the entire union were built in the Baltic States. These dilapidated factories are now in a very bad state.

The EU could absorb the trio on a financial level quite easily, and would only need to pay small subsidies. The countries would need billions of markkas in order to upgrade their manufacturing facilities and to create a modern society. But the amount required by the Baltic States, with their population of eight million, is still probably smaller than what, for example, would be required to modernize the Polish industrial and agricultural sectors.

The beginning phase of the road taken by the Baltic States is characterized by the fact that little Finland still plays a powerful role, especially in Estonia's economic life and trade.

The political leadership of Finland has been supportive of EU-membership for the Baltic States. However, if the countries were to become members, it could create problems for, among others, Finnish farmers, as well as for other sensitive sectors, due to the low price levels in the Baltic region.

Their newly won independence has filled the Balts with pride, but from an economic standpoint not everything has been a turn for the better. In many areas, Estonia, Latvia and Lithuania are underdeveloped from the viewpoint of the Union, or, in other words, areas laid to waste by retreating Russian forces. The industrial sector in all three countries is run down, and investing in new infrastructure has been slow due to the sky-high price of money. Foreign capital is badly needed.

After becoming independent, parts of the countries' economies have gone into a tailspin. During the period 1991-93, the countries' gross national products decreased drastically; even as much as 30-40 percent a year. Last year Estonia was able to show an increase, while Latvia remained at zero, but Lithuania's production still clearly decreased.

But on the other hand, the researchers issued the reminder that statistics can show great variations depending on the sources. From a stronger and stronger gray economy, money is ending up in the pockets of a certain group of the population, but that does not show in the statistics.

If the small Baltic states were to join the EU, the Union would also receive, for the first time, a significant infusion of Russians. There are about 440,000 ethnic Russians in Estonia, while the number of Russians in Latvia and Lithuania is 850,000 and 310,000 respectively.

Relations between Russia and Estonia, Latvia and Lithuania have not stabilized. Russia is still inclined to consider the three small nations to be within its "sphere of interest," and it has pointedly criticized the policy conducted by the nations towards their Russian minorities.

It is an historical irony that, aside from their hopes towards the West, the future of the Balts would be rendered brighter by the growth of the Russian economy. The Baltic States would be good middlemen in the flow of goods between the EU and Russia. The trio may even emerge as a competitor to the old and tried bridge builder, Finland.

Historic Town Liepaja Reawakens the Port Returned by Russian Navy: "Soon We'll Challenge Finland"

Latvian Aivars Boja gave us a tour of the enormous port with a determined expression in his eyes. "From over there we unloaded the Russian soldiers' temporary barracks, these buildings we'll turn into warehouse space, the lumber loaded in this area is domestic, Lithuanian, Russian and Belorussian," he explained.

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Boja, who is brimming with energy, is the first general manager of the commercial port. Until last fall, the port was an important naval base for the Russian navy in the Baltic. Now the soldiers have left and taken everything they could with them. It is the job of Boja, who sailed for a quarter of a century as captain on a fishing trawler, to get some profitable business into the run-down port.

"All basic structures are in very poor condition, and part of the area is severely polluted by heavy metals, as a result of Russian negligence, " Boja grumbled.

He takes us around and points out navy vessels left behind by the Red Army. Many of them lie partially sunken in the harbor basins. Numerous huge ocean trawlers are moored rusting in the canal running through the town. These vessels used to can fish for direct delivery all over the enormous Soviet empire. Liepaja's fishing industry became extinct as the superpower crumbled.

"Now the vessels are only good for scrap," said Boja.

He hopes to attract lots of private industry and foreign capital to Liepaja.

Without foreign capital it is almost impossible to attract investments, as the banks are only willing to grant short-term loans at sky-high 50 percent interest rates.

The port owns 380 hectares of land and investments have already been secured from Sweden, Denmark, Ireland and Finland. The joint ventures started their business activities by shipping primarily lumber, but also to a greater and greater extent metals, cement and other cargo to areas around the Baltic.

"One day we will compete with the Finns," quips Boja.

Ports Promoted by Government

The ports are promoted by the Latvian Government. In part they are receiving development funding from meager state funds, in part from private investments, and from the western aid program, PHARE. The roads leading to the ports, as well as the railroads, are on the rebuilding list.

Real Estate Baron Markov—A Man Without Citizenship

"I'm not a citizen of any country," laments the young real estate baron, Vadim Markov, a 34-year old man from Riga. Markov has a Soviet passport, the red cover of which is adorned with the insignia of the former superpower, CCCP.

The majority of the Russians living in Latvia are still not Latvian citizens, even if some of them were born in the country. Based on a new law, they must first pass a stringent language test, and after that take a history examination. Citizenship is awarded to carefully screened groups, after eight years. Markov, who is a graduate engineer, gave a rapid account of his life history, and told us that he was born, and has lived all his life in Riga. Five years ago he got tired of his career as a researcher, where it was becoming more and more difficult to make ends meet. He realized that, after a hiatus of many decades, private individuals would again be able to own real estate, and that one could make a nice living in real estate sales. He founded a company called Nira Fonds, which is involved in building, brokering, remodeling and managing real estate. "Seventy percent of the dwellings in the center of Riga are now privately owned," he explained.

Last year, Nira Fonds' gross sales amounted to about 1.5 billion markkas. In addition to Riga, the company has offices in Moscow and St. Petersburg. The St. Petersburg office also sells homes in Finland to rich Russians.

However, Markov's lack of citizenship is hampering his business activities. "I have to travel a lot. It is funny that in order for me to get a visa, for example, for Britain, I must first apply for a return visa to Latvia, and in order to arrange for this I must go to St. Petersburg," he said. Nor does Markov himself own land or real estate. "When I first started, I helped Russian officers sell their flats in Latvia and find new ones in Russia. We also built apartment buildings in Russia for officers returning home. Thus, I have done my part for the liberation of Latvia," he joked.

Markov said that all his Russian acquaintances, who are busy working in the Latvian business world, have all kinds of difficulties. But all of them consider themselves Latvians at heart and are loyal to the independent Latvia.

"But there are also Russians in Latvia who would like to leave the country but cannot afford it. They are unemployed workers from the large factories. In my view, this is a dangerous situation. Society should attempt to buy their homes for prices which would enable them to move to Russia," concluded Markov.

Latvia

*Adamsons, Navy Commander View Border, Smuggling Problems

954K0562A R`ga LAUKU AVIZE in Latvian 17 Mar 95 p 7

[Interview with Gaidis Zeibots, Navy Commander, and Janis Adamsons, Minister of Internal Affairs, by Voldemars Krustins: "Naval Fleet Guards Latvia's Wealth"]

[FBIS Translated Text] In the not too distant past, Latvia was known as the sea republic. Now, we no longer refer to ourselves as a sea nation, although the sea and the land mass are the same as before.

Every Tuesday, "LA" reports on the problems of the fishing industry, but we know less about the Naval Armed Forces. Therefore, this time we invited Navy Commander GAIDIS ZEIBOTS over for a conversation at our editorial offices. Present at the beginning of the

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interview was also the former Navy Commander, JANIS ADAMSONS. Questions in the name of "LA" were posed by the chief editor, VOLDEMARS KRUSTINS.

[Krustins] First question: in earlier days, the sea was full of smugglers. Is that still the case?

[Adamsons] The greatest amount of smuggling really does occur by sea.

[Krustins] So then, we will now have the opportunity to describe how Latvian border guards are capturing smugglers in the middle of the night?

[Adamsons] I think so. But guarding the entire border is impossible, because we don't have the forces to watch the whole length. Not that the desolate areas are what the smugglers use to get through. The major ports are in such disorder, that the dishonest person finds it much more convenient to go directly to Riga, Ventspils or Liepaja, and bribe someone, since what he pays for the bribe is insignificant, in comparison with the value of a large cargo.

[Krustins] Thus, primitive historical smuggling is no longer desirable, because the same can be accomplished through more civilized routes?

[Adamsons] That is true. But, we are trying to do something about it.

[Zeibots] Listen, about 35 million tons in volume of cargo entered the nation through our ports last year. But national customs reported that, of this volume, the largest amount of smuggled goods consisted of only one container of refrigerators. It's ridiculous to talk about it! And here is another example: the Russian ship "Ohta" has been sailing around in our territorial waters for about three months. It is delivering fuel to its ships. Recently, it stopped at the Riga port. Before it left, our people checked the ship's documents and found no stamps indicating that it could leave the port. Thus, no one had inspected it.

[Adamsons] In my opinion, the largest shipments of smuggled goods are uncovered with the help of seamen. For example, in cooperation with customs, right here, in the approach to Riga, we uncovered that they were pumping fuel oil. The guilty parties, at that time, received a fine of about 56 thousand lats.

[Zeibots] In deciding the best routes for smuggling, you can see for yourself: a fast motor vehicle can probably transport ten tons of smuggled goods, while one ship, which "slips in", can deliver at least five thousand tons.

[Adamsons] The amount of cargo passing through the ports of Latvia will apparently increase, because foreign businesses, at least the ones I know, have noticed that the security in Latvia is increasing. If only because the maffia, which is running Russia, does not have the same kind of power here.

[Krustins] Is the Russian port of Ustiluga a real threat to us or just a phantom fear?

[Zeibots] In the future, they will be a strong competitor. But that will only happen in about ten years.

[Adamsons] Much depends on our government's political effectiveness in this area.

[Krustins] And on the speed with which the government acts.

[Adamsons] That is true. If there are good customs regulations, then we will win out over the Russian port. Listen, one English businessman told me that he would be willing to invest about 100 million US dollars in the Liepaja port. But he needs guarantees: securing the eastern border of Latvia, to prevent a crime wave from invading, and second—a plan to develop Liepaja, which the people of Liepaja, alone, cannot implement. It is supposedly in the process of being realized, and the Americans are working on it, but—nothing has happened.

[Krustins] We make all sorts of jokes about our border: it has just as many holes as a sieve, it's as solid as a comb, etc. What can be done to fix this situation?

[Adamsons] Let's not shake down the little old ladies with the pocketbooks! Let's start looking inside motor vehicles, trains, ships! What has been done on the nation's eastern border? Nothing! I will defend this statement in any court of law! Equipment exists, which can see through all large "vans", just like an x-ray. And it doesn't even cost that much.

The more likely explanation is that it is not in someone's better interests to perform such a search. Major fortifications have been built along the Lithuanian and Estonian borders, but there are not even any basic control points on the eastern side. Why did we agree to open a point in Terehova, where the Russian side has a mighty monster, and we have—two doghouses? (After the interview, the press reported that leading up to this position on the Latvian side is an impassable road. J.M.) When the Russians shut down their post in Terehova, our boys, holding on to their pants, chased after them to Opelos. Now, they are making Terehova available, so let's all run back! What happens to our nation's face? While still the Commander of the Border Guards, I clearly responded to Russia: we will complete construction in Terehova in July of 1995, and, until then, we will continue to do our checking in Opelos. Now I have left and have opened the control point in Terehova, anyway... We lost out politically. Among other things, the Dutch drivers have already organized a strike over there.

[Zeibots] Do you remember when Mr. Grigis called for the capture of smugglers? Who are you going to catch, when they all come with forged documentation?

[Krustins] That would be a separate subject, but, the main thing is clear: an operational border control will give foreigners more confidence to ship their goods

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through Latvia, and then the nation will get some money. While the borders remain unsecured and criminals can squeeze through, businessmen will not trust us. We have to settle this. But, I would like to hear from you on what role the Naval Forces plays in our military today, and what was the significance of these Forces before the war.

[Zeibots] Today, the main objective is to help protect the economic border. We help customs, control the nation's economic zone. We make sure that Latvian laws are being obeyed in the waters under our jurisdiction, especially in matters of fishing rights. Before the war, the Naval Forces did have a more military significance, because of its two submarines—that was a major force. There were also three mine trawlers, mines, anti-mine defenses—that was the military fleet's main duty. Maybe we should also devote more attention today to being prepared to defend our nation, but, in looking back at the past three years, we should think more about how to get Latvia up on its own feet. The international regulations already provide for a whole string of additional duties, which must be performed by each nation's naval fleet. For example, pollution of the sea must be prevented, we must keep a watch to protect nature. Naturally, this is not being performed by a special fleet from the Ministry of Environmental Protection, but by us. Latvia is not that rich, that we can afford to be simply military men.

[Krustins] Maybe you could tell us precisely: how large is the sea border that you control?

[Zeibots] We control everything within a 500 km sea border. Maybe it is slightly less in the Bay of Riga. Of course, from Roja to Lithuania, the old Russian radar system is in operation. Sometimes, we ask the air force for assistance and then, a sophisticated major power's vessel ends up paying Latvia a major amount for its illegal activities. But sometimes, we have to wonder why we cannot perform certain easily accomplishable matters. For example, the Riga Port Traffic Service could not understand why we should allow a ship to move out only after we are convinced that customs and the border guard have completed their jobs. Cooperation is lacking. We already have a bad reputation, in that it is supposedly very easy to get to Scandinavia by hopping through Latvia. Just recently, from the ship "Rezekne", we "removed" one Russian citizen who had committed a crime over there, and had escaping to Latvia through Greece. He had reached Mangalis port without a problem and—he was off!

[Krustins] What, then, is the procedure for checking ships in port?

[Zeibots] The ship is first inspected by a commission and the captain signs a statement accepting responsibility for having inspected the ship on customs and border control matters. And then, the customs and the border guards arrive with their documentation, and, maybe they perform an inspection, maybe not, maybe there is a table set for them... And then it depends on the sort of table... In such a case, we have to rely on operative information to prevent a suspicious ship from leaving.

[Krustins] Readers tend to compare these times with those during the USSR times, and are interested in whether the sea border guarding positions today are considerably weaker than they were under the major power.

[Zeibots] Then again, we have to remember the goal: the USSR protected its borders so that no one from *here* managed to get out. If anyone from *there* wanted to come in, he could do so in a very routine manner, using a forged passport. Why, during the nineteen eighties, would he have to fool around like someone in a spy film? From the Lithuanian border to the Cape of Kolka, there were 36 posts! That was a fence! There, the border guards would check up on each other, the Naval fleet, and also the special KGB posts. But, up until 1940, the sea border was not even guarded. Pavilosta had one border guard, who would stamp papers and dig in his garden. Then there were also no problems with economic zones. Now, for four years already, we haven't been able to sign a treaty with Estonia on what belongs to whom. It's the same with Lithuania: exactly in that disputed triangle is where the oil is located. In addition, there are the fishing quotas—before the war, there were no discussions about such things. If Ronu Island remains the property of Estonia, and along with it, 11 nautical miles around the island belong to them, then Latvia should retain about 25 percent of the fishing area in the Bay of Riga.

[Krustins] People should probably understand that Latvia is not so rich, that it can protect its sea borders on the same level as the Americans do. That is probably not even necessary for us.

[Zeibots] Along the United States border, there is a constant parade of ships, one after another, and the sky is full of airplanes and helicopters. They have a completely different purpose and different means. As a naval military man, I can say that our sea border is about 50 percent secured. The year before last, we attempted to inspect only about 12 percent of the ships in our territorial waters, but, at present, only about three percent of the foreign ship are uncontrolled. Some things, you see, do improve.

[Krustins] Do you have "black lists" identifying dishonest shippers?

[Zeibots] We do. Some buy a small vessel, which is meant to make only one trip. For example, the ship "Staburags", which belonged to a citizen of Ireland, escaped from Ventspils. We now have in our hands the business card of a certain Ventspils port pilot, which bears the inscription: "50 people—45 thousand dollars". At that time, when we noticed that the Staburags was escaping, we contacted Ventspils port and asked them where this ship was located. The reply came from some fishing stop...

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[Krustins] Thus, we can't say we are not the guardians of our sea territory.

[Zeibots] (Laughing):—Even our first patrol boat sounded the alarm. As soon as we sailed out into the bay, the big ones started notifying each other by transmitter: Stirlics has sailed out! But at the same time, I should mention that, all together, we are short about 100 thousand lats per year. The government sometimes wonders how we can still keep moving, when there is not even enough to buy fuel oil.

[Krustins] Readers are also interested about the people who command our army, about their former military experience. What sort do you have?

[Zeibots] From 1986, I was Deputy Commander of the Liepaja Military Naval Base of the USSR Army. At the same time, I was a deputy, and, during the swelling rebirth period, I was considered too "close", so that it was necessary to remove me. I was offered very high positions, and I refused them. Finally, I agreed to move. I found myself in Poland, as the Commander of all Eastern Poland ships. For two years, I was the Warsaw Pact Joint Squadron Chief of Staff, and for two more years—Deputy Chief of Staff. Godmanis offered me an invitation in September, 1991, and I accepted the offer to remain in the Latvian army.

[Krustins] Still, the Soviet fleet was probably mighty, well armed. Is this "step down" acceptable to you?

[Zeibots] The Crown Prince of Denmark was slightly more diplomatic in phrasing this question—isn't it hard for me to be in this position? (Laughs) It is a little painful to realize that Latvia must start from basic things, from nothing. I probably know better, how far we are from completeness. I am a graduate of two military academies... I even get angry when I have to explain elementary things to people. But, I can understand it, and I would have difficulty, for example, if I had to start working in a kindergarten, teaching children.

[Krustins] Sailors in the USSR army were a more intelligent "breed of weapon", who had to know foreign languages. How is the intelligence of the Latvian army officers corps? What can be expected from your subordinates?

[Zeibots] It varies. It varies very, very much. But, Mr. Adamsons and I are of the same opinion, that this lack of knowledge is quite often compensated by our people's good intentions, honesty, and diligence. Unfortunately, at least half of the Latvians serving in the Soviet fleet have not come over to our side. In his time, Mr. Alksnis provided us with such a list from the General Headquarters Personnel Division. Some Latvians had established families, others—they had other agendas. Not everyone could do what Mr. Adamsons did—leave both his daughter and a good position. For example, a Latvian in Pushkin is the department head at the military institute of higher education. He earns a good salary. The first to come to us were seamen who had been dismissed from a fishing or commercial fleet, most often because of—bad habits. And, they brought no references with them. Then, later, we started to gather only people with a higher education. Believe it or not, but a military ship captain's salary is ten times lower than what a civilian ship captain receives. Who will want to come to us? It is just the opposite—they are leaving. They don't have the money to pay rent for their apartments! All of this forebodes catastrophe. The military is one sign of a sovereign nation. It could just have ten people, but the funding should be found. That is a question of honor for Latvia.

Recorded by J. Motivans

Photo by A. Jermaka.

Photo caption: Navy Commander Gaidis Zeibots (on the right) together with Minister J. Adamsons have formed our military fleet, have become involved in legal banking intrigues, and together, have not lost their good spirits, no matter what stands before them.

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